Public Accounts
Volume 1
Consolidated Financial Statements

For the fiscal year ended March 31, 2008

The Honourable Michael G. Baker, Q.C.
Minister of Finance

PUBLIC ACCOUNTS
VOLUME 1
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED MARCH 31, 2008

THE HONOURABLE MICHAEL G. BAKER, Q.C.
MINISTER OF FINANCE

NOVA SCOTIA
Finance

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NOVA SCOTIA

Volume 1–Financial Statements
for the fiscal year ended March 31, 2008

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Message from the Minister

I am pleased to present the Province of Nova Scotia's Public Accounts for the fiscal year 2007-08.

The public accounts for the year ended March 31 report a surplus of $418.9 million, $300.5 million higher than budget. This is the highest surplus since the government introduced its first balanced budget in 2002.

Revenues were higher than previous year, primarily due to Crown Share, petroleum royalties and income taxes. Government carefully monitored expenses through the year to ensure we met our fiscal plan.

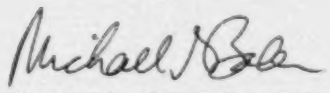
We are pleased to have agreement on the Crown Share payments owing to the province. In the current fiscal year we have recognized $234.4 million and the remainder of the estimated total $867.9 million payments will be recognized in future years as they are earned.

As at March 31, 2008, the net direct debt was $12.1 billion, $242.4 million lower than the prior year. It is projected to decline once again in 2008-09.

Nova Scotia's economic growth has been steady, with real GDP of 1.7 per cent in the 2007 calendar year.

The March 31, 2008 financial statements are compliant with generally accepted accounting principles, and have received an unqualified audit opinion from the Auditor General.

These are solid results for Nova Scotia, indicating our continued commitment to careful management of the province's finances.



Hon. Michael G. Baker, Q.C.
Minister of Finance

Introduction

In accordance with the Provincial Finance Act, the Minister of Finance for the Province of Nova Scotia produces Public Accounts annually to report on the operating results and financial condition of the province. Volume 1 includes general purpose financial statements, meant to meet the needs of a variety of users. They are prepared on a consolidated basis, meaning that they include the financial information for the departments of government as well as Crown corporations, boards and other entities owned or controlled by the government.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector. For purposes of the province's financial statements, this means the accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

The 2007-08 Public Accounts *Volume 1 - Financial Statements* commences with the Financial Statement Discussion and Analysis (FSD&A) section. The FSD&A is a reporting practice recommended by PSAB and responsibility for its preparation rests with the government. This section presents comparative Financial Highlights of the Consolidated Financial Statements including all the entities owned or controlled by the government, as well as financial highlights for the Consolidated Fund on its own. The FSD&A also includes an overview and highlights of provincial debt and the Nova Scotia economy. Responsibility for the integrity, objectivity and fair presentation of the FSD&A information rests with the government. The FSD&A is prepared on behalf of the Minister and Deputy Minister of Finance by the Controller in accordance with PSAB guidance.

The Consolidated Fund is the level at which the annual estimates are prepared in detail for approval by the government. Therefore, the selected highlights of the Consolidated Fund include more detailed information and budget-to-actual analysis on revenues, expenses, tangible capital assets, and additional appropriations. The Consolidated Fund is comprised of all departments and public service units of the Nova Scotia provincial government, but excludes other governmental units and government business enterprises owned or controlled by the province.

There are two additional publications in the Public Accounts suite of annual financial reports. *Volume 2 - Agencies and Funds* is a collection of financial statements of various agencies, boards, governmental units, government business enterprises, and trust funds. *Volume 3 - Supplementary Information* is produced in accordance with the Provincial Finance Act as a record of the payments made by the Consolidated Fund in the fiscal year for salaries, travel, grants, and expenses.

Financial Statement Discussion and Analysis

Financial Highlights of the Consolidated Financial Statements

These financial highlights are based on information from the Consolidated Financial Statements for 2007-08, as presented on pages 51-97 of this publication.

Consolidated Statement Of Operations and Accumulated Deficits

The main purpose of the Consolidated Statement of Operations and Accumulated Deficits is to report the province's revenues and expenses for the year ended March 31, 2008 and the comparative fiscal year. In accordance with the Provincial Finance Act, the province is required each year to ensure that expenses do not exceed revenues. Under generally accepted accounting principles (GAAP), a year-end surplus reduces accumulated deficits.

Provincial Surplus

The provincial surplus is the net financial result of the year's operations. In 2007-08, as shown below, total revenues were $9.3 billion and total expenses were $8.8 billion. The resulting provincial surplus was $418.9 million, which was $236.5 million higher than the year before and $300.5 million higher than the budget of $118.4 million. Surplus per capita increased by $252 from $196 to $448. On a per capita basis, the province earned $1,036 more revenue but spent $784 more per person in the year.

Provincial Surplus
($ thousands)

	Estimate 2007-08	Actual 2007-08	Actual 2006-07 (as restated)	Actual vs Estimate	Actual vs Actual
Total Revenue	8,647,493	9,252,541	8,293,069	605,048	959,472
Total Expenses	(8,529,064)	(8,833,612)	(8,110,623)	(304,548)	(722,989)
Provincial Surplus	118,429	418,929	182,446	300,500	236,483
Per Capita $					
Total Revenue	9,259	9,906	8,870	647	1,036
Total Expenses	(9,132)	(9,458)	(8,674)	(326)	(784)
Provincial Surplus	127	448	196	321	252
Population (000's)	934	934	935		

Revenue

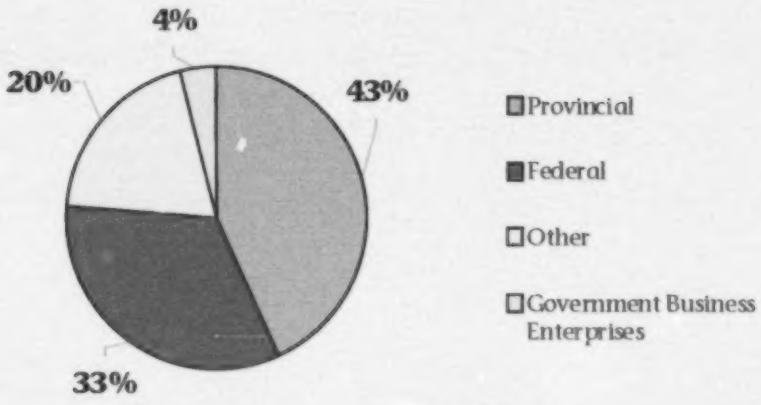
Revenue for the year was $605.0 million higher than the estimate and $959.5 million higher than the previous year. Change in revenue from taxes, federal contributions and the new Crown Share revenue are attributable to the Consolidated Fund specifically. The remaining balance is earned from a variety of sources and controlled entities. More detailed information on Consolidated Fund revenue changes are provided in the analysis commencing on page 25 of this publication.

Revenue
($ thousands)

	Estimate 2007-08	Actual 2007-08	Actual 2006-07	Actual vs Estimate	Actual vs Actual
Income Taxes	2,105,188	2,167,869	2,071,580	62,681	96,289
Sales Taxes	1,499,005	1,484,380	1,494,873	(14,625)	(10,493)
Federal Equalization	1,464,528	1,464,528	1,385,539	—	78,989
Other Federal Contributions	1,443,355	1,583,452	1,220,066	140,097	363,386
Petroleum Royalties	420,500	399,679	269,100	(20,821)	130,579
Other	1,370,873	1,808,475	1,511,270	437,602	297,205
Total Revenue from Governmental Units	8,303,449	8,908,383	7,952,428	604,934	955,955
Net Income from Government Business Enterprises	344,044	344,158	340,641	114	3,517
Total Revenue	8,647,493	9,252,541	8,293,069	605,048	959,472

	Percentage of total		Revenue Per Capita ($)	
	Actual 2007-08	Actual 2006-07	Actual 2007-08	Actual 2006-07 (as restated)
Income Taxes	23%	25%	2,321	2,216
Sales Taxes	16%	18%	1,589	1,599
Federal Equalization	16%	17%	1,568	1,482
Other Federal Contributions	17%	15%	1,695	1,305
Petroleum Royalties	4%	3%	428	288
Other	20%	18%	1,936	1,616
Total Revenue from Governmental Units	96%	96%	9,537	8,506
Net Income from Government Business Enterprises	4%	4%	369	364
Total Revenue	100%	100%	9,906	8,870
Population (000's)			934	935

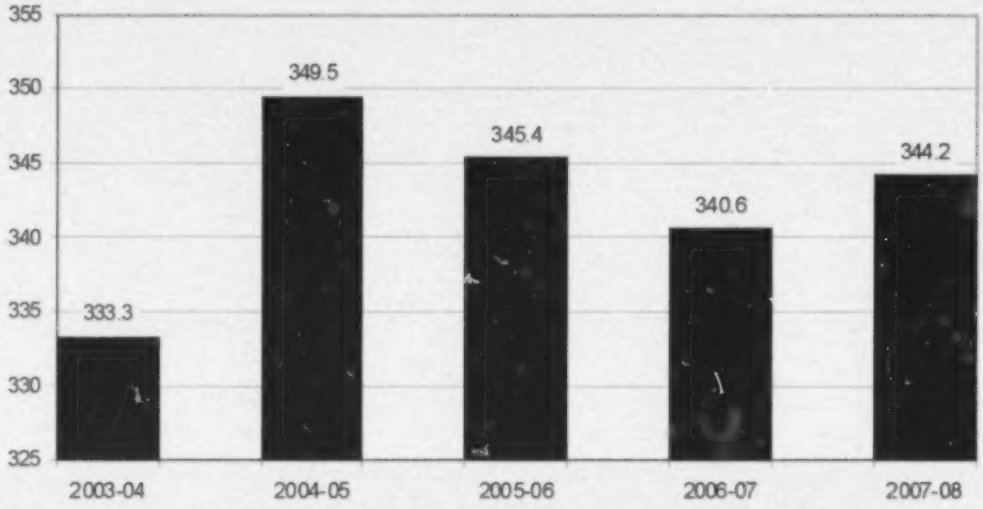
Revenue By Source
2007-08



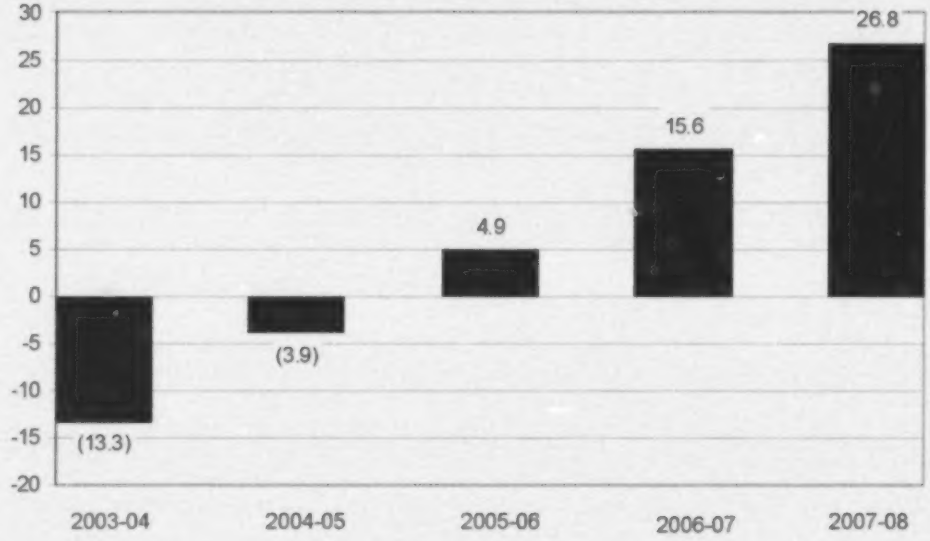
Government Business Enterprises

Net income from government business enterprises over the past five years has remained relatively consistent as shown on the following page. During the same period, the province's financial position for these entities has improved from a deficiency of $13.3 million to a net investment of $26.8 million. More detailed information about government business enterprises is provided on Schedule 6 on page 71 of this publication.

Net Income from GBEs
2003-04 to 2007-08 ($ millions)



Investment (Deficiency) in GBEs
2003-04 to 2007-08 ($ millions)



Expenses

The sources of expenses have remained consistent with the prior year, with the health and education sectors making up 60 per cent of total expenses (60 per cent in 2006-07). Expenses have increased $723 million over the 2006-07 fiscal year. Health, and Education and Universities accounted for 58 per cent of the increase with a combined increase of $422 million. All other categories shared the increase in expenses proportionately, except debt servicing costs which showed a $5 million decrease due to debt reduction efforts and lower interest rates.

Expenses
($ thousands)

	Estimate 2007-08	Actual 2007-08	Actual 2006-07	Actual vs Estimate	Actual vs Actual
Health and Health Promotion	3,193,452	3,296,455	3,104,344	103,003	192,111
Education and Universities	1,794,906	2,008,718	1,778,796	213,812	229,922
Service Nova Scotia and Municipal Relations	229,506	237,921	195,862	8,415	42,059
Community Services	1,007,761	892,272	836,008	(115,489)	56,264
Transportation and Infrastructure Renewal	329,547	364,642	296,011	35,095	68,631
Debt Servicing Costs	954,338	953,698	958,744	(640)	(5,046)
Pension Valuation Adjustments	68,603	107,504	83,137	38,901	24,367
Other Expenses	950,951	972,402	857,721	21,451	114,681
Total Expenses	8,529,064	8,833,612	8,110,623	304,548	722,989

	Percentage of total		Expenses Per Capita ($)	
	Actual 2007-08	Actual 2006-07	Actual 2007-08	Actual 2006-07 (as restated)
Health and Health Promotion	37%	38%	3,529	3,320
Education and Universities	23%	22%	2,151	1,902
Service Nova Scotia and Municipal Relations	3%	2%	255	210
Community Services	10%	10%	955	894
Transportation and Infrastructure Renewal	4%	4%	390	317
Debt Servicing Costs	11%	12%	1,021	1,025
Pension Valuation Adjustments	1%	1%	115	89
Other Expenses	11%	11%	1,042	917
Total Expenses	100%	100%	9,458	8,674
Population (000's)			934	935

Presentation of Estimates

The original Estimates reflect the consolidated results in a format that facilitates departmental management of revenue and expense transactions of the Consolidated Fund, as well as the debate and appropriations process in the House of Assembly. In order to present comparative Estimates on the Consolidated Statement of Operations and Accumulated Deficits, as well as in the preceding pages of variance analyses, the original Estimates have been restated to a comparative basis.

The following table illustrates how this is merely a reorganization of the components within the original Estimates to gross up revenues and expenses for the results of all entities within the government reporting entity. Note that the change in presentation causes no impact on the provincial surplus as it is already stated in accordance with generally accepted accounting principles.

Budgetary Summary – Estimates Only

Reconciliation to Consolidated Financial Statements Format

For the year ended March 31, 2008 ($ thousands)

Revenue	**Estimates**	**Adjustments**	**Public Accounts**
Provincial Sources	4,485,297	(35,807)	4,449,490
Federal Sources	2,544,272	136,940	2,681,212
Fees and Other Charges	60,883	—	60,883
Ordinary Recoveries – Provincial Sources	242,991	—	242,991
Ordinary Recoveries – Federal Sources	226,671	—	226,671
Other Revenue	—	528,673	528,673
Sinking Fund & Public Debt Retirement Earnings	113,529	—	113,529
Total Revenue	7,673,643	629,806	8,303,449
Expenses			
Agriculture	63,195	(205)	62,990
Community Services	886,494	121,267	1,007,761
Economic Development	76,362	20,135	96,497
Education	1,237,624	298,362	1,535,986
Assistance to Universities	258,920	—	258,920
Energy	21,770	1,025	22,795
Environment and Labour	49,664	43,978	93,642
Finance	29,747	(48)	29,699
Fisheries and Aquaculture	6,700	250	6,950
Health	3,045,859	101,552	3,147,411
Health Promotion and Protection	58,618	(12,577)	46,041
Justice	232,763	1,799	234,562
Natural Resources	79,242	2,780	82,022
Public Service	138,295	4,684	142,979
Service Nova Scotia and Municipal Relations	227,219	2,287	229,506
Tourism, Culture and Heritage	54,364	3,030	57,394
Transportation and Infrastructure Renewal	329,037	510	329,547
Restructuring Costs	121,421	—	121,421
Pension Valuation Adjustment	—	68,603	68,603
Loss (Gain) on Disposal of Crown Assets	—	—	—
Program Expenses	6,917,294	657,432	7,574,726
Pension Valuations Adjustment	68,603	(68,603)	—
Debt Servicing Costs	954,338	—	954,338
Total Expenses	7,940,235	588,829	8,529,064
Deficit from Government Units	(266,592)	40,977	(225,615)
Consolidation & Accounting Adjustments			
Consolidation Adjustments	40,592	(40,592)	—
Health and Hospital Boards Operations	—	—	—
School Board Operations	—	—	—
Special Purpose Funds	76	(76)	—
Other Organizations	309	(309)	—
	40,977	(40,977)	—
Net Income from GBEs	344,044	—	344,044
Provincial Surplus on an Expense	118,429	—	118,429

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position reports the balances of financial assets, liabilities, and non-financial assets. It discloses the balances of net direct debt as a key measure of the province's financial position and accumulated deficits as a secondary measure.

Net Direct Debt

Net direct debt is the difference between the province's liabilities and financial assets. It represents the amount of liabilities to be funded from future revenues and taxation. Net direct debt is increased by operating losses and investment in tangible capital assets or other non-financial assets. It is decreased by an operating surplus or decreases in net tangible capital assets and other non-financial assets

As at March 31, 2008, net direct debt was $12.1 billion, $242.4 million lower than the prior year. A large surplus reduced net direct debt, but this was partially offset by net investment in tangible capital assets.

The largest component of net direct debt is $9.3 billion of borrowings. Successive surpluses have permitted continued investment in tangible capital assets while repaying borrowings and thus improving the province's overall financial position.

Accumulated Deficits

The accumulated deficits represent the difference between the province's liabilities and both the financial and non-financial assets. Further, it is the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. The accumulated deficits of $8.2 billion at the end of 2007-08 were reduced from $8.6 billion at the end of 2006-07.

Net Direct Debt and Accumulated Deficits
($ thousands)

	Actual 2007-08	Actual 2006-07	Variance Increase (Decrease)
Financial Assets	2,961,425	2,865,694	95,731
Less: Financial Liabilities	(15,076,188)	(15,222,899)	(146,711)
Net Direct Debt	(12,114,763)	(12,357,205)	(242,442)
Non-Financial Assets	3,927,930	3,751,443	176,487
Accumulated Deficits	(8,186,833)	(8,605,762)	(418,929)

Net direct debt per capita decreased by $245 from $13,216 in 2006-07 to $12,971 in 2007-08. Net direct debt expressed as a percentage of gross domestic product (GDP) has decreased 3 percentage points from 39 per cent in 2006-07 to 36 per cent in 2007-08 due to the increase in GDP and the reduction of net direct debt.

The surplus allowed a reduction in accumulated deficits of $439 per capita. Accumulated deficits expressed as a percentage of gross domestic product (GDP) have decreased 3 percentage points from 27 per cent in 2006-07 to 24 per cent in 2007-08 due to favorable increases in both factors.

Per Capita $

Net Direct Debt and Accumulated Deficits

	Actual 2007-08	Actual 2006-07	Variance Increase (Decrease)
Per Capita $			
Net Direct Debt per capita	(12,971)	(13,216)	(245)
Accumulated Deficits per capita	(8,765)	(9,204)	(439)
Population (000's)	934	935	
Gross Domestic Product			
Net Direct Debt vs GDP	36%	39%	
Accumulated Deficits vs GDP	24%	27%	
GDP at market prices (000s)	33,727,000	31,997,000	

Financial Assets

Financial Assets consist of assets available to discharge existing liabilities or to finance future operations. Financial assets increased $95.7 million from the previous year. Cash and short-term investments decreased by $263.1 million in the absence of long term borrowing by the province. Accounts Receivable include the $234.4 million due from the federal government for Crown Share settlement recognized as revenue in 2007-08.

Loans receivable increased by $31.1 million over the previous year. Municipal Finance Corporation's loans receivable increased $47.9 million, primarily due to infrastructure loans to municipalities. The Housing Development Corporation had a net increase of $17.3 million to their mortgage program portfolio. These increases were offset by the receipt of $12.0 million receivable at the Halifax-Dartmouth Bridge Commission and $8.1 million receivable at Nova Scotia Government Fund. Net loans also decreased when provisions for the Farm Loan Board and Industrial Expansion Fund increased by $9.3 million and $20.1 million respectively.

Financial Assets
($ thousands)

	Actual 2007-08	Percentage of total	Actual 2006-07	Percentage of total	Variance Increase (Decrease)
Cash and Short-term Investments	609,998	21%	873,090	30%	(263,092)
Accounts Receivable and Advances	1,136,998	38%	821,509	29%	315,489
Loans Receivable	1,138,779	38%	1,107,683	39%	31,096
Other Financial Assets	75,650	3%	63,412	2%	12,238
Total Financial Assets	2,961,425	100%	2,865,694	100%	95,731

Liabilities

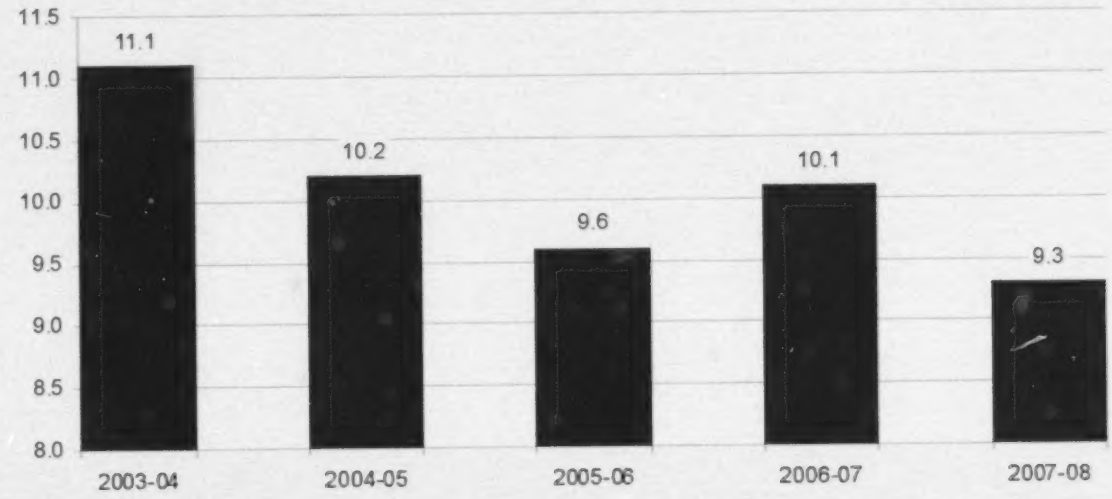
Liabilities consist of debts or monetary obligations owing at March 31 to be paid in the future with cash or other assets. Accounts payable and accrued liabilities at year end include amounts for trusts and grants to be paid out of the Crown Share revenue and unrestricted surplus. There are some significant amounts of restricted inflows recorded as deferred revenue until purpose restrictions are met, including the addition of $71.1 million received for C-52 federal trusts offset by recognition into revenue of $68.2 million of the Offshore Accord funds, $34.4 million for Wait Times Reduction Fund, $43.1 million for C-48 federal trust agreements and $21.4 million for the Nova Scotia Gas Tax Agreement. Bank advances and short-term borrowings increased while Unmatured Debt decreased due to increased short term borrowing in the fiscal year. Pension and retirement obligations increased $184.3 million based on valuations including updated member data and actuarial assumptions.

Liabilities
($ thousands)

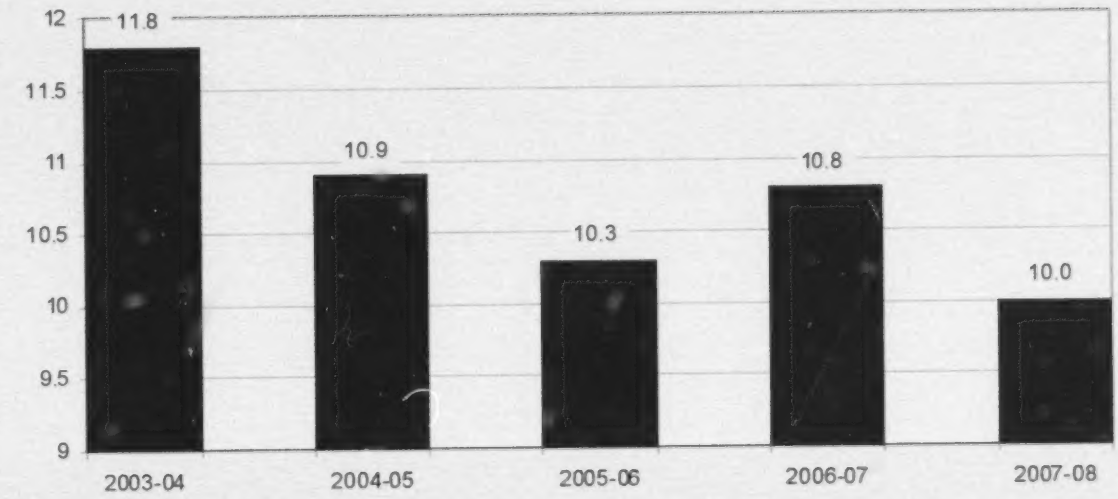
	Actual 2007-08	Percentage of total	Actual 2006-07 (as restated)	Percentage of total	Actual vs Actual Increase (Decrease)
Bank Advances and Short-term Borrowings	1,090,870	7%	790,909	5%	299,961
Accounts Payable and Accrued Liabilities	1,531,015	10%	1,315,433	9%	215,582
Deferred Revenue	1,054,282	7%	1,145,281	8%	(90,999)
Unmatured Debt of Governmental Units	9,292,334	62%	10,107,186	66%	(814,852)
Federal Equalization Payable Loan	96,258	1%	108,290	1%	(12,032)
Pension, Retirement and Other Obligations	1,620,705	11%	1,436,381	9%	184,324
Other Liabilities	390,724	2%	319,419	2%	71,305
Total Liabilities	15,076,188	100%	15,222,899	100%	(146,711)

Unmatured debt consists primarily of borrowings of the Consolidated Fund. A $1.8 billion decrease in unmatured debt over the past 5 years has resulted in a reduction of $1,861 on the per capita debt load.

Unmatured Debt
2003-04 to 2007-08 ($ billions)



Unmatured Debt per Capita
2003-04 to 2007-08 ($ thousands)



Non-Financial Assets

Non-financial assets are a component of the province's financial position, and are assets to be used during the provision of services in the future. Non-financial assets consist primarily of tangible capital assets but also include supplies inventories and prepaid expenses.

Non-Financial Assets
($ thousands)

	Actual 2007-08	Percentage of total	Actual 2006-07	Percentage of total	Actual vs Actual Increase (Decrease)
Tangible Capital Assets	3,850,387	98%	3,688,117	98%	162,270
Inventories of Supplies	51,898	1%	46,694	1%	5,204
Prepaid Expenses	25,645	1%	16,632	1%	9,013
Total Non-Financial Assets	3,927,930	100%	3,751,443	100%	176,487

Tangible Capital Assets

The net book value (cost less accumulated amortization) of tangible capital assets is a major asset to the province, totaling $3.9 billion at the end of 2007-08 ($3.7 billion in 2006-07). The Buildings and Land Improvements asset class includes a large portion of capital assets pertaining to provincially owned buildings, schools, and hospitals, as well as a significant number of leased schools and the correctional forensic facility.

Tangible Capital Assets (Net Book Value)
($ thousands)

	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05
Land	605,631	588,120	545,986	538,975
Buildings and Land Improvements	2,216,471	2,155,242	2,094,899	2,052,491
Roads, Bridges and Highways	678,384	611,784	458,391	355,860
Machinery, Computers and Equipment	305,189	293,703	255,492	240,260
Vehicles and Ferries	44,712	39,268	32,550	29,715
Total Tangible Capital Assets	**3,850,387**	**3,688,117**	**3,387,318**	**3,217,301**

Tangible Capital Assets (Net Book Value)

Increase from Prior Year
($ thousands)

	Actual 2007-08	Actual 2006-07	Actual 2005-06
Land	17,511	42,134	7,011
Buildings and Land Improvements	61,229	60,343	42,408
Roads, Bridges and Highways	66,600	153,393	102,531
Machinery, Computers and Equipment	11,486	38,211	15,232
Vehicles and Ferries	5,444	6,718	2,835
Total Tangible Capital Assets	162,270	300,799	170,017

As shown on Schedule 7, page 74, current year acquisitions totaled $437.1 million ($548.2 million in 2006-07). Additions to the Buildings and Land Improvements category totaled $171.7 million ($165.3 million in 2006-07), of which $55.0 million belongs to district health authorities and $62.2 million was school construction. The investment in Roads, Bridges and Highways was $144.0 million ($214.3 million in 2006-07). In the year, additions to Machinery, Computers and Equipment were $88.7 million ($109.6 miilion in 2006-07) of which $49.5 million is attributable to district health authorities and $35.8 million to the Consolidated Fund.

Investment in tangible capital assets of the various asset classes has remained reasonably consistent with the prior year as shown below, with the exception of the increasing investment in provincial roads, bridges and highways offset by a slight decrease in buildings and land improvements.

Tangible Capital Assets (Net Book Value)

Percentage of Total by Category

	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05
Land	16%	16%	16%	17%
Buildings and Land Improvements	58%	58%	62%	64%
Roads, Bridges and Highways	17%	17%	14%	11%
Machinery, Computers and Equipment	8%	8%	7%	7%
Vehicles and Ferries	1%	1%	1%	1%
Total Tangible Capital Assets	100%	100%	100%	100%

Consolidated Statement of Net Direct Debt

Details of the changes in net direct debt that are reported on Statement 3, page 59 include the surplus for the year as well as changes in non-financial assets. In 2007-08, net direct debt decreased by $242.4 million. The $418.9 million provincial surplus more than offset the $162.3 million net investment in tangible capital assets. Other small changes impacting the balance of net direct debt were the increase of $5.2 million in supplies inventory and the increase of $9.0 million in prepaid expenses.

Consolidated Statement of Cash Flow

The province records its transactions on an accrual basis in accordance with generally accepted accounting principles (GAAP), the timing of which may vary from when actual cash is paid or received. Statement 4 on page 60 details the increase or decrease in the province's net cash position in terms of sources and uses of cash identified within the following activities: operating, investing, capital, and financing.

During 2007-08, the province's cash position decreased by $263.1 million. Operations generated cash inflows of $831.0 million. These inflows were offset by $709.3 million of debt repayment and $437.1 million in gross acquisitions of tangible capital assets during the current year.

Cash Flow by Category
($ thousands)

	Actual 2007-08	Actual 2006-07	Variance Increase (Decrease)
Operating	830,992	436,114	394,878
Investing	(31,619)	(26,924)	(4,695)
Capital	(429,631)	(542,673)	113,042
Financing	(632,834)	614,712	(1,247,546)
Net Inflows (Outflows)	(263,092)	481,229	(744,321)

Risk

The province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets. Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 1(d) of the consolidated financial statements. Financial risks, including foreign currency risk and interest rate risk, are discussed on page 41 in the section called Debt Review of the Consolidated Fund.

Selected Highlights of the Consolidated Fund

Budgetary Summary
($ thousands)

	Actual 2006-07 (as restated)	Estimate 2007-08 (as restated)	Actual 2007-08
Consolidated Fund*			
Ordinary Revenue	6,676,852	7,029,569	7,541,393
Fees and Other Charges	64,682	60,883	56,410
Ordinary Recoveries	430,408	469,662	468,585
Sinking Fund Earnings	121,591	113,529	112,834
	7,293,533	7,673,643	8,179,222
Less: Departmental Expenses	6,495,389	6,917,294	7,100,620
Pension Valuation Adjustment	83,137	68,603	107,504
Debt Servicing Costs	929,828	954,338	924,889
	7,508,354	7,940,235	8,133,013
	(214,821)	(266,592)	46,209
Consolidation and Accounting Adjustments for the Consolidated Fund and Government Units			
Consolidated Fund Consolidation Adjustments	2,711,633	40,592	2,780,815
Health and Hospital Boards Operations	(1,636,246)	—	(1,717,770)
School Board Operations	(887,048)	—	(939,905)
Special Purpose Funds	6,115	76	8,710
Other Organizations	(137,828)	309	(103,288)
	56,626	40,977	28,562
Net Income from Government Business Enterprises			
Nova Scotia Gaming Corporation	141,717	139,600	134,198
Nova Scotia Liquor Corporation	188,241	197,070	198,671
Other Enterprises	10,683	7,374	11,289
	340,641	344,044	344,158
Provincial Surplus	182,446	118,429	418,929

*The Consolidated Fund is comprised of all departments and public service units of the Nova Scotia provincial government, but excludes other governmental units and government business enterprises owned or controlled by the province.

Revenues – Consolidated Fund

In total, revenue for fiscal 2007-08 was higher than estimate by $505.6 million or 6.6 per cent. The table below shows the current and prior year actuals, the current year estimate, and the current year actual variances from estimate and actual. The analysis that follows this chart includes explanations, by revenue source, for the most significant variances.

Revenues
($ thousands)

	Actual 2006-07 (as restated)	Estimate 2007-08	Actual 2007-08	Actual vs Estimate Increase (Decrease)	Actual vs Actual Increase (Decrease)
Provincial Sources					
Personal Income Tax	1,678,995	1,718,283	1,778,395	60,112	99,400
Corporate Income Tax	392,585	386,905	389,473	2,568	(3,112)
Harmonized Sales Tax	1,090,758	1,095,822	1,074,875	(20,947)	(15,883)
Tobacco Tax	145,091	150,948	145,573	(5,375)	482
Motive Fuel Taxes	245,577	252,235	249,189	(3,046)	3,612
Interest Revenues	81,888	75,975	87,900	11,925	6,012
Registry of Motor Vehicles	91,997	94,488	99,107	4,619	7,110
Petroleum Royalties	269,100	420,500	399,679	(20,821)	130,579
Offshore Licenses Forfeitures	4,227	---	107,059	107,059	102,832
Other Provincial Revenues	277,140	283,990	303,994	20,004	26,854
TCA Cost Shared Revenue	—	6,151	4,461	(1,690)	4,461
Prior Years' Adjustments - Provincial Sources	13,032	—	85,779	85,779	72,747
Fees and Other Charges	64,682	60,883	56,410	(4,473)	(8,272)
Ordinary Recoveries - Provincial Sources	247,327	242,991	261,932	18,941	14,605
Sinking Fund Earnings	121,591	113,529	112,834	(695)	(8,757)
Total Provincial Sources	4,723,990	4,902,700	5,156,660	253,960	432,670
Federal Sources					
Equalization Payments	1,385,539	1,464,528	1,464,528	—	78,989
Canada Health Transfer	610,477	638,954	638,954	—	28,477
Canada Social Transfer	264,304	280,335	280,413	78	16,109
Crown Share	—	—	234,400	234,400	234,400
Wait Times Reduction Funding	34,666	34,389	34,389	—	(277)
Offshore Accord	57,421	68,238	68,238	—	10,817
Other Federal Revenues	2,319	2,319	5,745	3,426	3,426
C48 Infrastructure Trust Funds	2,468	44,778	43,090	(1,688)	40,622
C52 Trust Funds	—	—	2,669	2,669	2,669
TCA Cost Shared Revenue	22,546	10,731	31,206	20,475	8,660
Prior Years' Adjustments - Federal Sources	6,722	—	12,277	12,277	5,555
Ordinary Recoveries - Federal Sources	183,081	226,671	206,653	(20,018)	23,572
Total Federal Sources	2,569,543	2,770,943	3,022,562	251,619	453,019
Total Revenues	7,293,533	7,673,643	8,179,222	505,579	885,689

Variance Analysis — Actual Compared with Estimate

Personal Income Tax

Personal Income Tax (PIT) revenue exceeded the 2007-08 estimate by $60.1 million or 3.5 per cent primarily as a result of an increase in national personal taxable income combined with an increase in the province's yield.

Corporate Income Taxes

Corporate Income Tax (CIT) revenue exceeded the 2007-08 estimate by $2.6 million or 0.7 per cent as a result of increase in the pool of national corporate taxable income and an increase in the province's share of national corporate tax. This is offset by lower Offshore Corporate Income Tax than budgeted and the province's share of national corporate profits being below estimates.

Harmonized Sales Tax

Harmonized Sales Tax (HST) revenue was $20.9 million or 1.9 per cent lower than the 2007-08 estimate as a result of downward revisions to tax bases and their growth rates, with weaker consumer expenditure forecasts being the primary driver. In addition, expenses were higher for rebates in the Your Energy Rebate Program.

Tobacco Tax

Tobacco tax revenue was $5.4 million or 3.6 per cent lower than the 2007-08 estimate due to revisions in historical consumption figures, the effects of increasing prices, cessation efforts, and the continued prevalence of illegal tobacco products in the market.

Interest Revenues

Interest revenues were $11.9 million or 15.7 per cent higher than the 2007-08 estimate due to increased interest rates on short term paper, combined with higher interest revenues from Nova Scotia Business Inc. (NSBI) and the Fisheries and Aquaculture Loan Board.

Petroleum Royalties

Offshore petroleum royalties were $20.8 million or 5.0 per cent lower than the 2007-08 estimate. Prices for natural gas did not keep pace with surging world oil prices for much of the fiscal year and production volumes were well below estimates. Compounding this was the appreciation of the Canadian dollar relative to the US dollar, as natural gas sales are denominated in US currency.

Offshore Licenses Forfeitures

License holders forfeited $107.1 million in exploration licenses in 2007-08. Forfeiture is not unusual given the unpredictable nature of the offshore industry. The province's accounting recognition policy is to record forfeiture revenue when a notice of forfeiture is given. Forfeitures are not budgeted because they cannot reasonably be predicted.

Other Provincial Revenues

Other Provincial Revenues were $20.0 million or 7.0 per cent higher than the 2007-08 estimate. Large Corporation Capital Tax exceeded the estimate by $7.2 million, tax on insurance premiums exceeded the estimate by $5 million and $2.1 million of unbudgeted funding for Department of Health projects was received. In addition, $5.5 million for Emergency Health Services revenue was recorded here but had been budgeted as Fees and Other Charges.

Prior Year Adjustments — Provincial Sources

Prior year adjustments of $85.8 million reflect updated federal information on unapplied personal income tax for prior tax years, and increases in forecasted tax yields for both personal and corporate income tax. The increases were offset by downward revisions to the HST tax bases for open years and offshore royalty revenue forecasts for prior years.

Fees and Other Charges

Fees and Other Charges were $4.4 million or 7.3 per cent less than the estimate. This variance was primarily due to $7.9 million of Emergency Health Services revenue which had been budgeted here but the actuals were reclassified to Other Provincial Revenues. This was offset by higher revenues from fees in several other departments. The most significant of those was the Department of Justice where court, probate and other fees exceeded the estimate by $2.4 million.

Ordinary Recoveries — Provincial Sources

Ordinary Recoveries – Provincial Sources were $18.9 million or 7.8 per cent more than the estimate. The Department of Health's recoveries from other provinces exceeded the estimate by $5.6 million. There was $7.4 million of unbudgeted prior years' recoveries from settlement of a lawsuit related to joists used in school construction which was credited to Restructuring. The Emergency Management Office had unbudgeted prior year recoveries of $2.0 million related to disaster assistance cost charge backs to originating departments and reversals of prior years' payables totaling $5.7 million, reduced by the write down of a $3.7 million receivable from the Government of Canada for disaster assistance claims. The Department of Transportation and Infrastructure Renewal had recoveries of $1.2 million more than the estimate and the Department of Community Services had recoveries of $1.9 million more than the estimate.

Crown Share

Resolution of the federal government's statutory obligation to pay Nova Scotia its portion of Crown Share Revenues for offshore projects to March 31, 2008 has resulted in $234.4 million of revenue recognized in 2007-08. This revenue had not been budgeted due to uncertainty preceding the final Crown Share negotiation and review process.

Other Federal Sources

Other federal sources of revenue exceeded the estimate by $3.4 million. During the year, the province received $3.4 million for Rural Broadband from the Government of Canada under the Canada-Nova Scotia Base Funding Agreement.

C-48 Infrastructure Trust Funds

Bill C-48 Infrastructure Trust revenues are $1.7 million or 3.8 per cent under the 2007-08 estimate. The province draws down revenue from the federal trusts to match provincial spending commitments in the four areas covered by the trust funds. Planned expenditures were not made resulting in a corresponding decrease in revenues drawn down.

TCA Cost Shared Revenue — Federal Sources

Federal TCA cost shared revenue exceeded the estimate by $20.5 million. This was primarily due to an additional $21.6 million in contributions to Tangible Capital Assets from the federal government under the Canada-Nova Scotia Base Funding Agreement.

Prior Year Adjustments — Federal Sources

Prior year adjustments of $12.3 million were the result of updated federal estimates of the province's share of Basic Federal Tax and Corporate Tax used in the calculation of the Canada Health Transfer (CHT) and Canada Social Transfer (CST) for open years (2005-06 and 2006-07). There was a nominal offsetting decrease related to the final federal estimates of CHT, CST and the Health Reform Fund for the 2004-05 fiscal year.

Ordinary Recoveries — Federal Sources

Ordinary Recoveries – Federal Sources were $20.0 million or 8.8 per cent less than the estimate. The drawdown of Federal Medical Equipment funds available to the Department of Health was $8.3 million less than the budget because the offsetting expenditures were not made. The Department of Community Services had recoveries of $16.5 million less than budgeted primarily because of reduced drawdown of federal funds from the Early Learning and Child Care Trust and funds available for Social Housing. Service Nova Scotia and Municipal Relations' recoveries related to the Canada Nova Scotia Infrastructure Program were $3.2 million less than budgeted, and the Department of Health Promotion and Protection recorded recoveries of $3.6 million less than budgeted primarily because a recovery from the Department of Community Services was included in the budget for federal recoveries, but the actual was correctly recorded as a chargeable to another government department.

There were several programs that generated higher federal recoveries than budgeted. The Department of Agriculture's recoveries related to programs exceeded the budget by $4.0 million; the Department of Education's federal recoveries exceeded the budget by $3.5 million due primarily to French language grants; and the Department of Transportation and Infrastructure Renewal's recoveries exceeded the budget by $2.9 million because recoveries from the RCMP related to the Trunk Mobile Radio system had not been included in the budget as federal recoveries.

Variance Analysis — Actual Compared with Prior Year Actual

Personal Income Tax

Personal Income Tax (PIT) revenue was $99.4 million higher than the prior year as a result of an increase in national personal taxable income combined with an increase in the province's yield.

Corporate Income Taxes

Corporate Income Tax (CIT) revenue was $3.1 million lower than the prior year due to a decrease in the province's allocation of Offshore Corporate Income Tax and lagging corporate profits.

Harmonized Sales Taxes

Harmonized Sales Tax (HST) revenue was $15.9 million lower than the prior year. The Your Energy Rebate Program was active for only 5 months during 2006-07 compared with a full year during 2007-08.

Interest Revenues

Interest revenues were $6.0 million higher than the prior year due to increased interest rates on short term paper, combined with higher interest revenues from the Fisheries and Aquaculture Loan Board.

Petroleum Royalties

Offshore petroleum royalties were $130.6 million higher than prior year due to high prices for natural gas and increased production volumes. Achievement of pre-determined return thresholds by producers has resulted in increased royalty rates.

Offshore Licenses Forfeitures

Revenue from forfeitures of offshore exploration licenses increased $102.8 million over the prior year. Forfeitures are not predictable from year to year.

Other Provincial Revenues

Other Provincial Revenues were $26.9 million higher than the prior year. The Department of Health recorded $8.8 million in Emergency Health Services revenue in 2007-08 that had been recorded as fees in the prior year, $2.1 million was received for new Health projects in 2007-08, and Pharmacare revenues increased by $1.9 million. Other major increases included an extra $2.0 million in Large Corporations Capital Tax, $5.6 million in Capital Tax on Non-Financial Institutions, $1.2 million in Companies Branch fees, and $0.9 million for tax on insurance premiums.

Prior Year Adjustments — Provincial Sources

Prior year adjustments (PYA) revenue was $72.7 million higher than the prior year. Corporate Income Tax and Large Corporations Capital Tax reassessments contributed $93.4 million and $12.6 million respectively to this increase. This was somewhat offset by a $9.7 million reduction in PYA revenue for offshore petroleum royalties as well as a $24.4 million decline in PYA for Personal Income Tax unapplied tax pools.

Fees and Other Charges

Fees and Other Charges were $8.3 million lower than the prior year. This variance was primarily due to Emergency Health Services revenue which had been recorded here as fees of $7.6 million last year but was reclassified to Other Provincial Revenues for 2007-08.

Ordinary Recoveries — Provincial Sources

Ordinary Recoveries from Provincial Sources were $14.6 million higher than the prior year. This was primarily due to $7.4 million of prior years' recoveries from settlement of a lawsuit related to joists used in school construction which was received during 2007-08. Other increases included prior year disaster assistance recoveries of $2.0 million at the Emergency Management Office and a $3.8 million increase in the Department of Health's recoveries from other provinces.

NOVA SCOTIA

Equalization
The equalization formula provided for an increase in revenue of $79.0 million in 2007-08 compared to prior year.

Canada Health Transfer
The Canada Health Transfer (CHT) increased $28.5 million due to a 6 per cent increase in the cash transfers, offset by the province's declining share of the national population and relative share of income taxes used as factors in the CHT formula.

Canada Social Transfer
Revenue from the Canada Social Transfer (CST) grew by $16.1 million compared to prior year. The growth in the national base for CST grew by $1 billion, with cash transfers being impacted by a declining share of the national population.

Crown Share
Revenue of $234.4 million was recognized in 2007-08 for the province's portion of the federal Crown Share revenue. No amounts had been recorded in prior years for this revenue source.

Offshore Accord
The Offshore Accord agreement provided for an increase in revenue of $10.8 million in 2007-08 compared to prior year.

Other Federal Sources
Other Federal Source revenues increased by $3.4 million from the prior year due to funding for the Rural Broadband from the Government of Canada under the Canada-Nova Scotia Base Funding Agreement.

C-48 Infrastructure Trust Funds
Bill C-48 Infrastructure Trust revenues were $40.6 million higher than the prior year. The province draws down revenue from the federal trusts to correspond with spending in the four areas covered by the trust funds. Increased spending occurred in 2007-08 resulting in a corresponding increase in revenues drawn down.

TCA Cost Shared Revenue — Federal Sources
Federal TCA cost shared revenue exceeded the prior year level by $8.7 million. This was primarily due to additional contributions from the federal government under the Canada-Nova Scotia Base Funding Agreement.

Prior Year Adjustments — Federal Sources
Prior year adjustments were $5.6 million higher than the prior year as a result of updated federal estimates of the province's share of Basic Federal Tax and Corporate Tax used in the calculation of the Canada Health Transfer (CHT) and Canada Social Transfer (CST) for open years (2005-06 and 2006-07). There was a nominal offsetting decrease related to the final federal estimates of CHT, CST and the Health Reform Fund for the 2004-05 fiscal year.

Ordinary Recoveries — Federal Sources
Ordinary Recoveries from Federal Sources were $23.6 million higher than the prior year. This was primarily due to a $9 million increase in Federal recoveries related to Housing programs at the Department of Community Services and an increase of $11.2 million in Federal Gas Tax Transfers at the Department of Service Nova Scotia and Municipal Relations.

Departmental Expenses — Consolidated Fund

Overall, Departmental Expenses exceeded the original budget by $183.3 million, or 2.7 per cent during 2007-08.

The table below shows the current and prior year actuals, the current year estimate, and the current year variance of estimate versus actual. The analysis that follows this chart includes explanations, by department, for the most significant variances.

Departmental Expenses
($ thousands)

	Actual 2006-07 (as restated)	Estimate 2007-08	Actual 2007-08	Actual vs Estimate Increase (Decrease)
Departments				
Agriculture	54,652	63,195	76,071	12,876
Community Services	817,962	886,494	870,324	(16,170)
Economic Development	71,730	76,362	99,713	23,351
Education	1,186,958	1,237,624	1,230,048	(7,576)
Assistance to Universities	268,710	258,920	422,589	163,669
Energy	17,003	21,770	44,282	22,512
Environment and Labour	40,940	49,664	71,968	22,304
Finance	20,066	29,747	28,016	(1,731)
Fisheries and Aquaculture	6,168	6,700	6,934	234
Health	2,898,393	3,045,859	3,013,902	(31,957)
Health Promotion and Protection	50,290	58,618	68,192	9,574
Justice	215,487	232,763	235,029	2,266
Natural Resources	69,107	79,242	87,489	8,247
Public Service	117,130	138,295	132,770	(5,525)
Service Nova Scotia and Municipal Relations	194,661	227,219	237,046	9,827
Tourism, Culture and Heritage	54,717	54,364	57,400	3,036
Transportation and Infrastructure Renewal	297,361	329,037	366,289	37,252
Restructuring Costs	116,017	121,421	56,727	(64,694)
Gain on the Disposal of Assets	(1,963)	—	(4,169)	(4,169)
Total Departmental Expenses	**6,495,389**	**6,917,294**	**7,100,620**	**183,326**

Additional appropriations require approval by the Governor-in-Council within 90 days of the issuance of these Public Accounts. These amounts are summarized by appropriation on pages 38 and 39.

The consolidation of departmental expenses with that of governmental units provides the total expenses for which government is accountable. This table provides the departmental expenses by department prior to the consolidation, as compared to the prior fiscal year and the budget, which are the estimates as approved by the Legislature in the annual Appropriations Act.

The 2006-07 Actuals for all departments have been restated to reclassify revenues, previously netted against expenses, to revenues. Also, restatements have been made to conform to current departmental structures.

Variance Analysis — Actual Compared With Estimate

Agriculture

The Department of Agriculture spent $12.9 million more than budget, primarily due to an $8.7 million increase in the allowance for doubtful accounts of the Farm Loan Board. Government also approved additional spending of $2 million to Atlantic Beef Products Inc., $0.8 million for the Agricultural Industry Vitalization Strategy, and $0.5 million for the Watercourse Stabilization program.

Community Services

The Department of Community Services spent $16.2 million less than budget, of which $11.9 million was mainly due to smaller caseloads in Income Assistance and Employment Support programs. Housing Services expenses were $3.4 million lower than budget, as the Home Ownership and Repair program and Affordable Housing Trust funds spent less than expected. Family and Community Supports expenses were $1.5 million lower than budget, with reduced spending from federal Early Learning and Child Care Trust funds offsetting higher costs of $5.7 million in Child Welfare Maintenance. An additional $2.9 million was spent on the Services for Persons with Disabilities program. In addition, there were savings from salaries and other costs.

Economic Development

The Department of Economic Development spent $23.4 million more than budget, primarily due to an additional $14.4 million invested in the Industrial Expansion Fund and development agreements. Government also contributed $8.9 million more to the Nova Scotia Research and Innovation Trust. Additional funding of $5 million for Community Development grants was also approved during the year. Higher expenses were offset by savings of $2.9 million in the Broadband for Rural Nova Scotia program, along with $2.0 million of savings in other areas.

Education

The Department of Education spent $7.6 million less than budget. Lower expenses included $3.8 million for student assistance debt reduction program usage; $1.5 million in student assistance debt servicing costs; $3.6 million in Skills and Learning; $2.8 million in salaries; $1.8 million in teachers' pension matching contributions and other minor savings. These were partially offset by higher spending of $2.9 million for French language grants, $2.3 million for the Nova Scotia Community College and $1.4 million on remodeling the student assistance program.

Assistance to Universities

Assistance to Universities was $163.7 million higher than budget. An additional operating grant of $72.5 million was provided to universities under a Memorandum of Understanding approved during the year; $65.9 million was invested in a university student bursary trust; $23.4 million was invested in the Crown Share University Infrastructure Trust and $1 million more was granted to the Atlantic Veterinary College. There was also a $1.4 million additional cost associated with university tuition relief for students during the year. These expenses were offset by minor savings in other areas.

Energy

The Department of Energy spent $22.5 million more than budget in 2007-08. This was primarily due to a $23.4 million Crown Share payment to a trust for research and development of the offshore. This was offset by lower than expected participation in Conserve Nova Scotia's grant programs.

Environment and Labour

The Department of Environment and Labour spent $22.3 million more than budget due primarily to a $23.4 million Crown Share payment to the Nova Scotia Land Legacy Trust. This was offset by salary savings.

Finance

The Department of Finance spent $1.7 million less than budget. Salary savings of $2.3 million and $0.5 million in lower amortization because of delays in implementation of an information technology project were offset by a $1.0 million increase in expenses resulting from the accounting for gross expenses previously netted with revenues.

Fisheries and Aquaculture

The Department of Fisheries and Aquaculture spent $0.2 million more than budget due to $0.4 million in unbudgeted grants and contributions, offset by savings in other areas of the department.

Health

The Department of Health spent $32.0 million less than budget. Capital grants were lower by $21 million due to delays in completing projects. This favourable variance was partially offset in the revenue results by a reduction in related recoveries from the Federal Medical Equipment Trust funds. Pharmacare costs were lower by $7.2 million with reductions in the number of prescriptions and a slower rate of drug cost increases. Physician payments were $7.1 million less than budgeted due to reduced utilization and savings in certain contractual arrangements. Home Care spent $6.2 million less than budget due mainly to delays in implementation of new strategic framework initiatives. Emergency Health Services spent $3.5 million less than budget due mainly to a change in the accounting for HST and contract cost savings during the year which had the effect of reducing actual costs. There were also savings in a number of other program areas.

These savings were partially offset by higher spending in other areas. Long-term Care spent $12 million more including repairs ordered by the Office of the Fire Marshal and purchase of bed lifts. The District Health Authority grants increased by $5.1 million which included funding deficits in some DHAs.

Health Promotion and Protection

The Department of Health Promotion and Protection spent $9.6 million more than budget primarily due to government's $12 million contribution to the Mainland Commons project. Additional costs included $2.7 million for Communicable Disease Prevention and Control, of which $1.5 million was for the HPV immunization program which was offset by a recovery from the federal government. This spending was offset by salary savings and $3.5 million charged to the Department of Community Services for Enhanced Home Visiting.

Justice

The Department of Justice spent $2.3 million more than budget, due to higher expenses for the Chief Medical Examiner's Office, building maintenance, Legal Aid program enhancements, Correctional Services operating costs, and employer benefit contributions under the RCMP Superannuation Act. These costs were partially mitigated by savings in salaries and professional services.

Natural Resources

The Department of Natural Resources spent $8.2 million more than budget, due to the $6.4 million Forestry Transition program approved during the year, a $0.5 million grant to the Wetlands for Tomorrow Habitat Partnership Legacy, $1 million in higher costs for general operating supplies and $0.3 million in bad debts related to a business failure.

Public Service

The Public Service appropriation ended the year with a favourable variance of $5.5 million. Major variances are listed below:

Emergency Management Office
The Emergency Management Office had unbudgeted disaster assistance expenses of $3.0 million due primarily to a storm during the year (Noel) and expenses related to previous disasters (Hurricane Juan and the March flood). There was an offsetting prior year recovery resulting from charge back of expenses to the originating provincial government departments and the reversal of accounts payable.

Executive Council Office
Executive Council Office spent $1.3 million less than budget primarily due to salary savings.

Government Contributions to Benefit Plans
A variance of $4.5 million was due to a positive adjustment in the province's liabilities for the LTD plan.

Legislative Services
A favourable variance of $2 million included savings of $0.8 million in Members' travel expenses and allowances, $0.8 million in Election Expenses, and $0.6 million in the Office of the Speaker.

Nova Scotia Business Inc
Nova Scotia Business Inc. spent $0.6 million less than budgeted.

Service Nova Scotia and Municipal Relations

The Department of Service Nova Scotia and Municipal relations spent $9.8 million more than budget. Government approved $10.6 million of additional grants for various Emergency Service Providers and community groups, the transfer of an information technology system valued at $4.4 million to the Property Valuation Services Corporation, $2.2 million for the Federal Gas Tax Transfer and $0.3 million spent on local government studies. Savings included $7.1 million in the Canada-Nova Scotia Infrastructure Program and $1 million in the Emergency Services Provider Fund.

Tourism, Culture and Heritage

The Department of Tourism, Culture and Heritage spent $3.0 million more than budget due to increased strategic community investments for various tourism, cultural and heritage organizations, and additional funding for community museums.

Transportation and Infrastructure Renewal

The Department of Transportation and Infrastructure Renewal spent $37.3 million more than budget in 2007-08. An unusually harsh winter led to $23 million more in increased costs for snow removal and ice control. During the year, the Department received approval for $5 million additional spending on road maintenance and storm damage repair, $1.8 million for grants to regional airports and $3.4 million for the transfer of the Victoria Road interchange to the Halifax-Dartmouth Bridge Commission. The department also incurred $1.7 million in costs deemed to be ineligible for recovery under Federal Disaster Assistance. Public Safety and Field Communications was over budget by $4.3 million resulting from the accounting for gross expenses, previously netted with recoveries. These amounts were partially offset by savings in other divisions.

Restructuring Costs

The Restructuring appropriation spent $64.7 million less than budget. Actual expenses related to current and prior year contract settlements were $55.1 million lower than budgeted, and some related costs that were estimated in Restructuring are now finalized and recorded as expenses in other appropriations. For example, $23 million accrued in the prior year for health sector retiree benefits and allowances has been settled and the cost is now included in the pension valuation adjustment. The Workforce Adjustment was $3 million lower than budgeted. Business Process Reengineering expenses were $5.4 million lower than budgeted to reflect actual costs.

Tangible Capital Assets – Consolidated Fund

The province's policy is to capitalize the gross cost of its tangible capital assets. Recoveries from outside sources are recognized as revenue in the year the asset is purchased. Under the province's tangible capital assets policy, a percentage of the original cost of an asset is charged to expenses in each year of the useful life of the asset. This charge, called amortization, does not commence until the asset is available for use. Departments are required to budget for tangible capital asset purchases and the resulting amortization from the acquisition of these assets.

The cost of the estimated purchases of tangible capital assets is appropriated as the Capital Purchase Requirements, and the departmental details are noted below.

Gross Capital Purchases
($ thousands)

Department	Estimate 2007-08	Actual 2007-08	Variance Increase (Decrease)
Agriculture	355	435	80
Community Services	2,698	2,173	(525)
Education	59,544	79,564	20,020
Finance	—	1,772	1,772
Fisheries and Aquaculture	—	100	100
Health	9,744	17,402	7,658
Health Promotion and Protection	2,562	208	(2,354)
Natural Resources	1,000	8,579	7,579
Service Nova Scotia and Municipal Relations	1,561	3,182	1,621
Tourism, Culture and Heritage	—	165	165
Transportation and Infrastructure Renewal			
Highways and Bridges	155,945	161,562	5,617
Buildings and Infrastructure	37,473	40,073	2,600
Total	270,882	315,215	44,333

Overall, spending for Capital Purchase Requirements exceeded budget by $44.3 million, primarily as a result of highway construction, school construction, development of customized software and acquisition of land.

Amortization
($ thousands)

Department	Estimate 2007-08	Actual 2007-08	Variance Increase (Decrease)
Agriculture	378	329	(49)
Community Services	1,270	1,095	(175)
Education	56,370	56,775	405
Energy	18	18	—
Environment and Labour	201	186	(15)
Finance	6,536	6,052	(484)
Fisheries and Aquaculture	25	37	12
Health	10,055	9,938	(117)
Health Promotion and Protection	79	—	(79)
Justice	1,332	1,332	—
Natural Resources	807	740	(67)
Public Service	656	630	(26)
Service Nova Scotia and Municipal Relations	3,530	3,433	(97)
Tourism, Culture and Heritage	539	539	—
Transportation and Infrastructure Renewal	95,121	96,410	1,289
Total	176,917	177,514	597

This schedule reflects the budget and actual for amortization charged to operations for assets acquired in 2007-08 and in prior years. The estimate for amortization expense is based on the gross cost of tangible capital assets.

Additional Appropriations

Relative to the Appropriations Act, 2007 for the fiscal year ended March 31, 2008
($ thousands)

Res	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Additional Appropriations Required
	Net Program Expenses					
1	Agriculture	49,837	1,400	59,084	7,847	7,847
2	Community Services	781,783	—	780,049	(1,734)	—
3	Economic Development	74,666	20,884	97,715	2,165	2,165
4	Education	1,188,445	—	1,176,187	(12,258)	—
5	Assistance to Universities	250,805	165,776	414,431	(2,150)	—
6	Energy	20,261	25,000	42,398	(2,863)	—
7	Environment and Labour	34,767	25,000	57,974	(1,793)	—
8	Finance	25,619	—	24,663	(956)	—
10	Fisheries and Aquaculture	5,773	—	5,610	(163)	—
11	Health	2,959,112	—	2,939,166	(19,946)	—
12	Health Promotion and Protection	49,743	13,107	62,864	14	14
13	Justice	128,205	—	126,695	(1,510)	—
14	Natural Resources	76,902	950	84,404	6,552	6,552
15	Communications Nova Scotia	8,184	—	8,064	(120)	—
16	Emergency Management Office of Nova Scotia	1,554	—	2,370	816	816
17	Executive Council	28,012	—	26,220	(1,792)	—
18	FOIPOP Review Office	383	—	342	(41)	—
19	Government Contributions to Benefit Plans	8,243	—	3,707	(4,536)	—
20	Human Rights Commission	2,105	—	2,091	(14)	—
21	Legislative Services	26,148	—	23,180	(2,968)	—
22	Nova Scotia Advisory Council on the Status of Women	916	—	897	(19)	—
23	Nova Scotia Business Inc.	26,615	—	25,972	(643)	—
24	Nova Scotia Police Complaints Commissioner	356	—	321	(35)	—
25	Nova Scotia Securities Commission	2,168	—	1,916	(252)	—
26	Nova Scotia Utility and Review Board	3,740	—	3,740	—	—
27	Office of the Auditor General	3,157	—	3,002	(155)	—
28	Office of the Ombudsman	1,445	—	1,395	(50)	—
29	Public Prosecution Service	17,647	—	17,568	(79)	—
30	Senior Citizens' Secretariat	1,286	—	1,576	290	290
31	Service Nova Scotia and Municipal Relations	121,743	15,047	135,878	(912)	—
32	Tourism, Culture and Heritage	49,231	2,910	52,110	(31)	—
33	Transportation and Infrastructure Renewal	319,755	5,450	352,410	27,205	27,205
34	Restructuring Costs	118,143	—	45,795	(72,348)	—
	Total Net Program Expenses	6,386,749	275,524	6,579,794	(82,479)	44,889

Additional Appropriations (continued)

Relative to the Appropriations Act, 2007 for the fiscal year ended March 31, 2008
($ thousands)

Res	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Additional Appropriations Required
	Other Appropriations					
9	Debt Servicing Costs	954,338	—	924,889	(29,449)	—
35	Pension Valuation Adjustment	68,603	—	107,504	38,901	38,901
	Total Other Appropriations	1,022,941	—	1,032,393	9,452	38,901
	Required Additional Appropriations					83,790

	Statutory Capital	Original Estimate	Additional Approved	Actual	Variance	Additional Appropriations Required
36	Capital Purchase Requirements (net cost)	254,000	26,000	279,548	(452)	—
37	Sinking Fund Installments and Serial Retirements	87,714	—	84,252	(3,462)	—
	Total Statutory Capital	341,714	26,000	363,800	(3,914)	—
	Required Additional Appropriations					None Required

Note: For the 2007-08 fiscal year, appropriations were voted on a net program expense basis which is departmental expenses less Fees and Other Charges and Ordinary Recoveries

Section 28 (3) of the Provincial Finance Act requires that any additional spending authority required must be approved by the Governor-in-Council no later than 90 days after the tabling of the Public Accounts.

Additional Appropriations Approved during 2007-08
($ thousands)

Some additional appropriations were approved during 2007-08, as indicated in the table above. The details of the additional requests are as follows:

Appropriation Area	Order in Council	Amount
Agriculture	2008-179	1,400
Assistance to Universities	2008-179	165,776
Economic Development	2008-179	20,884
Energy	2008-179	25,000
Environment and Labour	2008-179	25,000
Health Promotion and Protection	2008-179	13,107
Natural Resources	2008-179	950
Service Nova Scotia and Municipal Relations	2008-179	15,047
Tourism, Culture and Heritage	2008-179	2,910
Transportation and Infrastructure Renewal	2008-179	5,450
Capital Purchase Requirements	2008-179	26,000
Total		301,524

Debt Review of the Consolidated Fund

In fiscal 2007-08, the Province of Nova Scotia posted a surplus of $418.9 million. The net direct debt of the province as of March 31, 2008 was $12.1 billion, a decrease of $242.4 million from the net direct debt at the end of fiscal 2006-07. The province's net direct debt to gross domestic product ratio decreased to 36 per cent at March 31, 2008 from 39 per cent at March 31, 2007.

Credit Ratings

The Province of Nova Scotia's credit ratings were confirmed by three major credit rating agencies during 2007-08. In addition to these confirmations, Standard and Poor's Ratings Services upgraded its outlook for the province's rating from stable to positive on October 5, 2007. The following table details Nova Scotia's current ratings relative to its provincial peers.

Credit Ratings as at May 15, 2008

Province	Moody's Investors Service Inc.	Standard and Poor's	Dominion Bond Rating Service
Nova Scotia	Aa2	A+	A
Newfoundland and Labrador	Aa2	A	A (low)
Prince Edward Island	Aa2	A	A (low)
New Brunswick	Aa1	AA-	A (high)
Quebec	Aa2	A+	A (high)
Ontario	Aa1	AA	AA
Manitoba	Aa1	AA	A (high)
Saskatchewan	Aa1	AA	AA (low)
Alberta	Aaa	AAA	AAA
British Columbia	Aaa	AAA	AA (high)
Canada	Aaa	AAA	AAA/AAA (high)

Capital Markets Issuance Initiatives

Despite having balanced budgets, the province is required to borrow funds on an ongoing basis both to refinance maturing debt and to meet capital requirements not anticipated in budget projections. Budget surpluses act to reduce borrowing requirements. The province maintains the capability to borrow funds for future requirements should financial market conditions be favourable. The province also maintains a large asset position in discretionary funds. These funds are available to provide liquidity for the province, repay mature debt and to manage the province's borrowing requirements.

The Province of Nova Scotia borrowed $101.5 million in debenture debt in fiscal year 2007-08, a decrease from the budget estimate of $131.0 million. The Province achieved the remainder of its borrowing requirements through the use of its short term borrowing facilities.

The province's 2007-08 long-term borrowing program was achieved through the issuance of one domestic retail structured note issue of $20.0 million and through the roll-over of an $81.5 million Canada Pension Plan Investment Board debt issue. The province maintains access to a diversity of borrowing sources, both domestic and international. This access is a key factor in maintaining a broad demand for Nova Scotia debt issues and achieving lower borrowing costs.

Financial Risk Management

Foreign Currency Risk

In order to more fully access global capital markets, the Province of Nova Scotia maintains the ability to borrow in currencies other than the Canadian dollar.

The province has reduced its exposure to foreign currency debt in recent years through the active use of derivatives where appropriate or opportune and by the accumulation of US dollar-denominated assets held in sinking funds as required by covenants on existing US dollar issues. As at March 31, 2008, the province's gross debt exposure to foreign currencies had been eliminated. This was in contrast to the foreign currency exposure of 10.2 per cent of the gross debt portfolio as at March 31, 2007.

Sinking fund assets, with a net book value of US$208.0 million, continue to be denominated in US dollars and are subject to foreign exchange fluctuations. This represents 10.8 per cent of the province's sinking funds held at March 31, 2008.

GAAP requires that all financial amounts in the financial statements be presented in Canadian funds. Conversion of unhedged foreign currency amounts outstanding is calculated annually at March 31. This conversion results in a foreign currency gain or loss from year to year as the currency exchange rates fluctuate. As described in Note 1(c) on page 84, the foreign exchange gains or losses on long-term financial items are amortized over the remaining life of the item. At March 31, 2008, unamortized foreign exchange was a net gain to the province of $202.1 million.

Interest Rate Risk

As a net debtor in financial markets, the province is exposed to the risks posed by movements in interest rates. The province is exposed to interest rate risk as maturing debenture issues are refinanced at current market rates. Some exposure to fluctuating short-term rates is maintained as a policy variable on the debt portfolio. The province has policies in place that set exposure limits on interest rate risk. Control is maintained over this exposure through the active management by the province of its gross debt and asset portfolios.

The debt portfolio's exposure to floating interest rates decreased to 14.5 per cent for the fiscal year ended March 31, 2008 (down from 18.0 per cent at March 31, 2007). This level is at the mid-range of the province's 10.0 to 30.0 per cent floating rate exposure policy range. The province is able to exercise tight control of this variable in the portfolio by maintaining access to capital markets and through its extensive derivative transaction capabilities. With 85.5 per cent of the total principal in fixed interest rate form (up from 82 per cent at March 31, 2007), there will be a significant degree of stability in debt servicing costs in future years. At March 31, 2008, the average term to maturity of the gross debt portfolio stood at 12.0 years, 0.2 years longer than a year earlier.

Debt Servicing Costs – Consolidated Fund

Net debt servicing costs of the Consolidated Fund in fiscal 2007-08 were $812.1 million, an increase of $3.8 million from the previous year and $28.8 million lower than the budget estimate. Contributing to this reduction were the province's conversion of US dollar denominated debt to Canadian dollars at lower than budgeted rates, a lower than budgeted short-term borrowing position and the hedging of in-year US dollar cash requirements at lower than budget exchange rates.

Net Debt Servicing Costs
($ thousands)

	Actual 2006-07 (as restated)	Estimate 2007-08	Actual 2007-08	Actual vs Estimate Variance Increase (Decrease)
Interest on Long-Term Debt	772,594	785,336	765,179	(20,157)
General Interest	30,897	27,693	27,069	(624)
Interest on Pension, Retirement and Other Obligations	126,337	141,309	132,641	(8,668)
Gross Debt Servicing Costs	929,828	954,338	924,889	(29,449)
Less: Sinking Fund Earnings	(121,591)	(113,529)	(112,834)	695
Net Debt Servicing Costs	808,237	840,809	812,055	(28,754)

Debenture Debt

The Consolidated Fund's net debenture debt (outstanding debentures less sinking funds and Public Debt Retirement Fund assets) was $9.2 billion in Canadian dollar equivalent as at March 31, 2008.

The value of the foreign currency debt on March 31st and the net Canadian equivalent value on March 31st of the previous year fluctuates based on the exchange rates in effect at year-end. The difference in these values is reflected in the calculation of net debenture debt. This year that amount is a $93.2 million dollar reduction to net debenture debt.

The Province of Nova Scotia provides sinking fund installments for certain term debt issues. Annual sinking fund installments generally range from 1.0 per cent to 3.0 per cent of the original issue, but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Installments are designed to fully fund the issue over the life of the issue. Sinking funds are treated as trust funds and are used solely for debt retirement.

Outstanding Debentures – (CDN$ Equivalents)

($ millions)

	Actual 2006-07	Actual 2007-08
Debentures Payable in Canadian Dollars		
Canada Pension Plan Investment Fund	1,079	1,079
Other Issues	9,023	10,029
United States Dollars	1,215	–
Less: Sinking Funds and Public Debt Retirement Fund	(1,907)	(2,012)
Net Debenture Debt	9,410	9,096

Borrowing Powers

Long-term debt issued by way of debentures and medium-term notes is subject to a legislative authority to borrow through the Appropriations Act. Unused portions of these authorities carry forward to be used in future years. In fiscal 2007-08, the province borrowed (face value) $101.5 million in long-term debentures, which was applied to authority remaining from 2006-07 and 2007-08.

Statement of Borrowing Powers

As at March 31, 2008

($ thousands)

	Actual 2006-07	Actual 2007-08
Balance of Authority from Previous Fiscal Years	1,012,180	481,039
Appropriations Act, 2006	1,000,000	–
Appropriations Act, 2007	–	1,000,000
Total Authority at Beginning of the Fiscal Year	2,012,180	1,481,039
Less: Authority Used in the Previous Fiscal Year	1,531,141	
Less: Authority Used in the Current Fiscal Year		
Promissory Note P104		20,000
Debenture Series CP44		81,516
Balance of Authority at end of fiscal year	481,039	1,379,523

Additional Borrowing Powers

Cape Breton Industrial Assistance Act, Chapter 60, R.S.N.S. 1989
Housing Act, Chapter 211, R.S.N.S. 1989
Housing Development Corporation Act, Chapter 213, R.S.N.S. 1989
Municipal Finance Corporation Act, Chapter 301, R.S.N.S. 1989
Sydney Steel Corporation Act, Chapter 456, R.S.N.S. 1989

The Economy

Economic Indicators

Economic indicators for the calendar year 2007 form the basis of the following discussion for the year ended March 31, 2008. The data for both 2007 and 2008 are forecasts prepared by the Department of Finance. The 2008 forecast is provided without any further analysis, for information purposes only.

	2003	2004	2005	2006	2007 (Forecast)	2008 (Forecast)
($ millions)						
Gross Domestic Product at Market Prices	28,851	30,014	31,575	31,997	33,727	35,383
Annual % Change	6.5%	4.0%	5.2%	1.3%	5.4%	4.9%
(chained 2002 $ millions)						
Gross Domestic Product at Market Prices	27,464	27,836	28,336	28,597	29,093	29,581
Annual % Change	1.4%	1.4%	1.8%	0.9%	1.7%	1.7%
($ millions)						
Personal Income	24,437	25,364	26,503	27,527	28,496	29,694
Annual % Change	2.8%	3.8%	4.5%	3.9%	3.5%	4.2%
Consumer Price Index Nova Scotia						
Annual % Change	3.4%	1.8%	2.8%	2.0%	1.9%	2.0%
Population (000s)	937	938	936	935	934	933

Sources: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PPB
Statistics Canada Quarterly Demographics Statistics, Cat. No. 91-002-XPB
Nova Scotia Department of Finance

Economic Performance

Output

The Nova Scotia economy experienced an estimated 1.7 per cent growth rate in real GDP in 2007, after achieving a 0.9 per cent growth rate in 2006. Growth was mostly driven by consumer spending with additional support from exports. GDP inflation, at 3.6 per cent, was much more than in 2006 because the pace of commodity price increases; the GDP deflator increased in line with the commodity price increases. This helped reduce real GDP growth in the face of stronger nominal GDP growth, which grew at 5.4 per cent in 2007.

Final domestic demand is estimated to have increased by 2.6 per cent. This growth was supported by steady consumer spending along with more spending on goods and services by government. Growth in consumer spending was 4.2 per cent in 2007, with retail sales increasing at a similar pace of 4.0 per cent.

Capital investments were down in 2007, with business capital investments down 1.3 per cent along with a 2.8 per cent decline in public investments.

Corporation profits before taxes were up 4.6 per cent in 2007, in conjunction with increased exports from the province and high commodity prices.

Despite higher energy and food prices at home, the higher exchange rate on the Canadian dollar lowered prices on imported goods and services. This feature helped to keep the increase in the Consumer Price Index (cost of living) to only 1.9 percent in 2007.

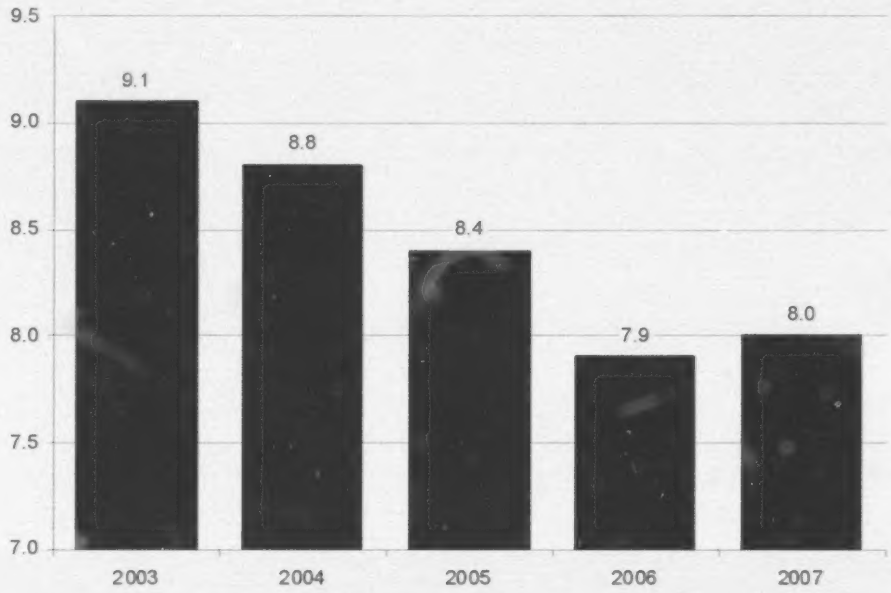
Labour Markets

With the labour force increasing at slightly faster pace than employment, the end result was a slight increase in the unemployment rate. The number of people active in the labour market in 2007 increased by 1.4 per cent, while employment increased by 1.3 per cent. The end result was a 0.1 percentage point increase in the unemployment rate to 8.0 per cent.

Unemployment Rate

2003 to 2007

(Per cent)



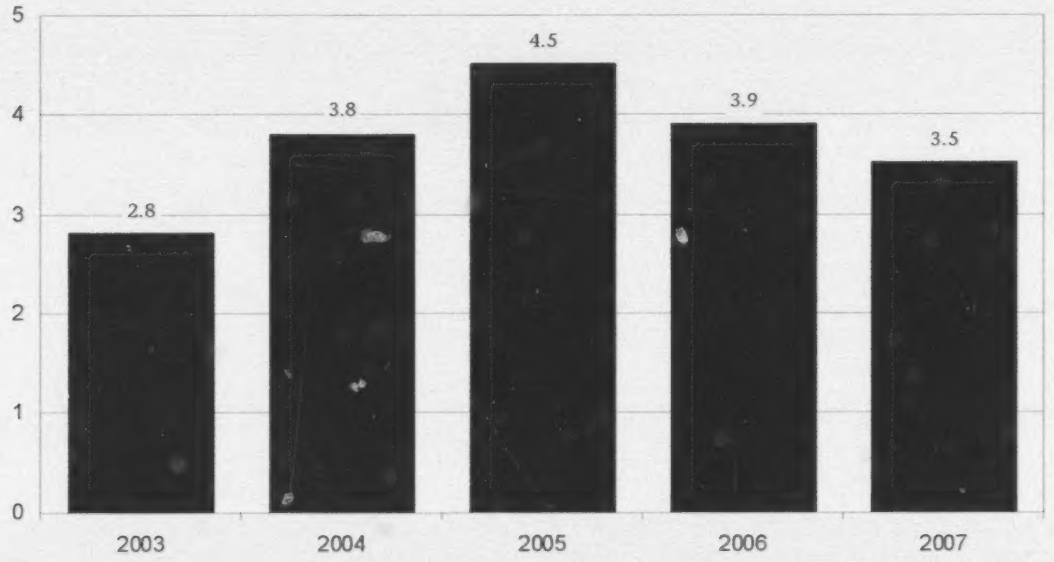
Source: Statistics Canada, 2006 Labour Force Historical Review, Cat. No. 71F0004XCB, February 2007.

Consumer Spending and Income

There was continued strength in consumer spending with an estimated increase of 4.2 per cent (nominal dollars) in 2007, which was supported by increases in personal income and more jobs along with lower interest rates. As a result of more consumers spending, retail sales are up 4.0 per cent in 2007.

Personal income had an estimated increase of 3.5 per cent in 2007 supported by a 4.4 per cent increase in labour income. This labour income growth reflects wage increases of over 3 per cent and an increase of 1.3 per cent in employment.

Personal Income Growth
2003 to 2007
(per cent)



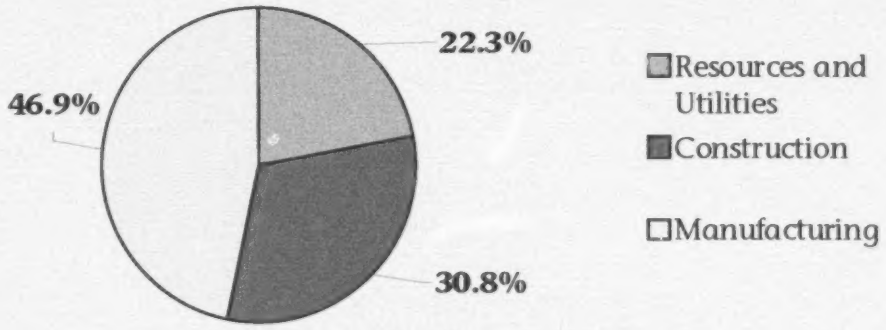
Source: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PPB

Industry Employment Performance

Goods Industries

Employment in goods-producing industries increased 2.9 per cent in 2007, recovering from the 6.0 per cent decline in 2006, and accounted for 19.7 per cent of the total employment in the Nova Scotia economy in 2007.

Employment by Goods Industries 2007
(as a Percentage of Total Goods Industries Employment)



Source: Statistics Canada, 2007 Labour Force Historical Review Cat. No.71F0004XCB, February 2007.

The construction sector saw employment decrease slightly at 0.4 per cent. Employment growth in the manufacturing sector was up 5.9 per cent, while manufacturing shipments declined 1.7 per cent. This growth in employment in the manufacturing sector reflects to some degree the return of newsprint production of a major newsprint mill after a lengthy labour dispute. Employment in the agriculture and forestry sectors reported increases in 2007 (19.1 per cent and 13.6 per cent respectively), bouncing back from their declines in 2006, unlike the fishing sector which continued to decline at a rate of 12.5 per cent. The mining, oil, and gas extraction sector saw no change in employment.

Services Industries

Nova Scotia is predominantly a service-sector economy, with 80.3 per cent of Nova Scotia's total employment being in the service sector for 2007. The number of service sector employees increased by 0.9 per cent to 359,400 in 2007.

The trade sector (retail and wholesale) is the largest sector, with 21.4 per cent of total employment in the service industries. Employment in this sector experienced an overall decrease of 1.5 per cent in 2007, with wholesale trade and retail trade both declining at 2.2 and 1.5 per cent, respectively. Health care and social assistance services sector is the next largest component of the services sector, with 17.1 per cent of total service sector employment in 2007. Employment for health care and social assistance reported an increase of 4.1 per cent.

Employment by Service Industry
(as a percentage of Total Service Industries Employment)

	2007	2006
Trade	21.4%	22.0%
Health Care, & Social Assistance Services	17.1%	16.6%
Educational Services	10.1%	9.7%
Accommodation & Food Services	8.4%	8.4%
Public Administration	7.8%	8.2%
Business, Building & Other Support Services	7.5%	8.1%
Finance, Insurance, Real Estate & Leasing	6.5%	6.3%
Other Services	5.8%	5.7%
Information, Culture & Recreation	5.4%	4.6%
Transportation & Warehousing	5.1%	5.2%
Professional, Scientific & Technical Services	4.9%	5.2%
	100.0%	100.0%

Source: Statistics Canada, 2007 Labour Force Historical Review, Cat. No. 71F0004XCB, February 2007.

The largest growth rate in 2007 was employment in the information, culture and recreation sector which increased by 19.6 per cent. Increases were also experienced in the following sectors: education by 4.6 per cent, health care and social assistance by 4.1 per cent, finance, insurance, real estate and leasing by 4.0 per cent, and accommodation and food services by 1.3 per cent.

The greatest declining rate in 2007 was employment in the business, building and other support services sector, at a rate of 5.9 per cent. Decreases were also experienced in the following sectors: professional, scientific and technical services by 4.9 per cent, public administration by 3.8 per cent, transportation and warehousing by 1.6 per cent, trade (wholesale and retail, by 1.5 per cent), and other services by 1.0 per cent.

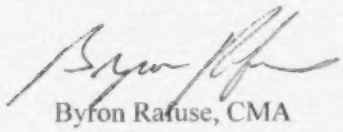
Consolidated Financial Statements

Statement of Responsibility
for the Consolidated Financial Statements of the Province of Nova Scotia

Responsibility for the integrity, objectivity, and fair presentation of the consolidated financial statements of the Province of Nova Scotia rests with the government. These financial statements are prepared on behalf of the Minister and Deputy Minister of Finance by the Controller in accordance with the accounting principles recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

The consolidated financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations and Accumulated Deficits, a Consolidated Statement of Change in Net Direct Debt, and a Consolidated Statement of Cash Flow. They present fairly, in all material respects, the financial position and the results of operations for the year ended. The government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained.

Under the mandate in section 9 of the Auditor General Act, the Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.



Byron Rafuse, CMA
Controller

NOVA SCOTIA
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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia

I have audited the consolidated statement of financial position of the Province of Nova Scotia as at March 31, 2008 and the consolidated statements of operations and accumulated deficits, change in net direct debt and cash flow for the year then ended. These statements are the responsibility of the Government of Nova Scotia, represented by the Minister of Finance. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province of Nova Scotia as at March 31, 2008 and the results of its operations, changes in net direct debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

JR Lapointe

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
June 30, 2008 (except as to Note 13 which is as of July 13, 2008)

Statement 1

Consolidated Statement of Financial Position

As at March 31, 2008
($ thousands)

	2008	2007 (as restated)
Financial Assets		
Cash and Short-term Investments (Note 3)	609,998	873,090
Accounts Receivable and Advances	1,136,998	821,509
Inventories for Resale	4,461	3,957
Loans Receivable (Schedule 3)	1,138,779	1,107,683
Investments (Schedule 3)	44,363	43,840
Investment in Government Business Enterprises (Schedule 6)	26,826	15,615
	2,961,425	2,865,694
Liabilities		
Bank Advances and Short-term Borrowings	1,090,870	790,909
Accounts Payable and Accrued Liabilities	1,531,015	1,315,433
Deferred Revenue (Note 4)	1,054,282	1,145,281
Accrued Interest	188,610	200,559
Unmatured Debt of Governmental Units (Schedule 4)	9,292,334	10,107,186
Unamortized Foreign Exchange Translation Gains, Premiums and Discounts	202,114	118,860
Federal Equalization Repayable Loan (Note 6)	96,258	108,290
Pension, Retirement and Other Obligations (Note 7)	1,620,705	1,436,381
	15,076,188	15,222,899
Net Direct Debt	(12,114,763)	(12,357,205)
Non-Financial Assets		
Tangible Capital Assets (Schedule 7)	3,850,387	3,688,117
Inventories of Supplies	51,898	46,694
Prepaid Expenses	25,645	16,632
	3,927,930	3,751,443
Accumulated Deficits	(8,186,833)	(8,605,762)
Trust Funds under Administration (Note 8)	8,357,597	8,722,808

Accounting Changes (Note 2)
Contingencies and Contractual Obligations (Note 12)
Subsequent Events (Note 13)
Comparative Figures (Note 14)

The accompanying notes and schedules are an integral part of these Financial Statements

Statement 2

Consolidated Statement of Operations and Accumulated Deficits

For the fiscal year ending March 31, 2008
($ thousands)

	Estimate 2008	Actual 2008	Actual 2007
Revenue (Schedule 1)			
Provincial Sources	4,753,364	4,886,676	4,529,586
Federal Sources	2,907,883	3,035,703	2,598,883
Prior Years' Adjustments – Federal/Provincial Fiscal Arrangements	–	98,056	19,657
Other Revenue	528,673	775,114	682,711
Sinking Fund and Public Debt Retirement Fund Earnings	113,529	112,834	121,591
Total Revenue	8,303,449	8,908,383	7,952,428
Expenses (Schedule 2)			
Agriculture	62,990	75,971	54,552
Community Services	1,007,761	892,272	836,008
Economic Development	96,497	83,049	–
Education	1,535,986	1,586,129	1,510,086
Assistance to Universities	258,920	422,589	268,710
Energy	22,795	44,828	19,808
Environment and Labour	93,642	114,565	82,393
Finance	29,699	47,894	39,441
Fisheries and Aquaculture	6,950	6,934	–
Health	3,147,411	3,248,225	3,054,867
Health Promotion and Protection	46,041	48,230	49,477
Justice	234,562	235,881	214,604
Natural Resources	82,022	94,866	74,654
Public Service	142,979	179,474	222,418
Service Nova Scotia and Municipal Relations	229,506	237,921	195,862
Tourism Culture and Heritage	57,394	59,466	56,275
Transportation and Infrastructure Renewal	329,547	364,642	296,011
Restructuring Costs	121,421	33,643	95,539
Pension Valuation Adjustment	68,603	107,504	83,137
Loss (Gain) on Disposal of Crown Assets	–	(4,169)	(1,963)
Debt Servicing Costs (Note 10)	954,338	953,698	958,744
Total Expenses (Note 9)	8,529,064	8,833,612	8,110,623
Surplus (Deficit) from Governmental Units	(225,615)	74,771	(158,195)
Net Income from Government Business Enterprises (Schedule 6)	344,044	344,158	340,641
Provincial Surplus	118,429	418,929	182,446
Accumulated Deficits, Beginning of Year		(8,605,762)	(8,788,208)
Accumulated Deficits, End of Year		(8,186,833)	(8,605,762)

The accompanying notes and schedules are an integral part of these Financial Statements

Statement 3

Consolidated Statement of Change in Net Direct Debt

For the fiscal year ended March 31, 2008
($ thousands)

	Estimate 2008	Actual 2008	Actual 2007
Net Direct Debt, Beginning of Year	(12,357,205)	(12,357,205)	(12,239,170)
Changes in the Year			
Provincial Surplus	118,429	418,929	182,446
Acquisition of Tangible Capital Assets	(270,882)	(437,103)	(548,239)
Amortization of Tangible Capital Assets	176,917	267,360	241,874
Disposals and Adjustments to Tangible Capital Assets	—	7,473	5,566
(Increase) Decrease in Inventories of Supplies	—	(5,204)	866
(Increase) Decrease in Prepaid Expenses	—	(9,013)	(548)
Total Changes in the Year	24,464	242,442	(118,035)
Net Direct Debt – End of Year	(12,332,741)	(12,114,763)	(12,357,205)

Except for the Provincial Surplus figure, the estimates for items shown as *Changes in the Year* reflect the activity of the Consolidated Fund only.

The accompanying notes and schedules are an integral part of these Financial Statements

Statement 4

Consolidated Statement of Cash Flow

For the fiscal year ended March 31, 2008
($ thousands)

	2008	2007
Cash Inflow (Outflow) from the following activities:		
Operating:		
Provincial Surplus	418,929	182,446
Sinking Fund and Public Debt Retirement Fund Earnings	(112,834)	(121,591)
Foreign Exchange Amortization	2,039	2,130
Amortization of Tangible Capital Assets	267,360	241,874
Net Income from Government Business Enterprises	(344,158)	(340,641)
Profit Distributions from Government Business Enterprises	332,947	329,958
Net Change in Other Items (Note 11)	266,709	141,938
	830,992	436,114
Investing:		
Repayment of Loans	225,273	182,908
Advances and Investing	(256,892)	(209,832)
	(31,619)	(26,924)
Capital:		
Acquisition of Tangible Capital Assets	(437,103)	(548,239)
Proceeds from Disposal of Tangible Capital Assets	2,973	4,189
Loss on Disposal of Tangible Capital Assets	4,499	1,377
	(429,631)	(542,673)
Financing:		
Debentures Issued	156,580	1,474,021
Repayment of Federal Equalization Repayable Loan	(12,032)	(12,032)
Foreign Currency Swaps and Adjustments	(12,131)	(8,204)
Sinking Fund Installments	(55,912)	(63,246)
Proceeds from Sinking Funds for Debt Repayment	—	360,000
Repayment of Debentures and Other Long-term Obligations	(709,339)	(1,135,827)
	(632,834)	614,712
Cash (Outflows) Inflows	(263,092)	481,229
Cash Position, Beginning of Year	873,090	391,861
Cash Position, End of Year	609,998	873,090
Cash Position Represented by:		
Cash and Short-Term Investments	609,998	873,090

The accompanying notes and schedules are an integral part of these Financial Statements

Schedule 1

Revenue

For the fiscal year ended March 31, 2008
($ thousands)

	2008	2007
Provincial Sources		
Income Taxes	2,167,869	2,071,580
Sales Taxes	1,484,380	1,494,873
Petroleum Royalties	399,679	269,100
Other Provincial Revenue	834,748	694,033
	4,886,676	4,529,586
Federal Sources		
Equalization Payments	1,464,528	1,385,539
Canada Health and Social Transfers	919,366	874,781
Crown Share	234,400	—
Other Federal Payments	417,409	338,563
	3,035,703	2,598,883
Prior Years Adjustments – Federal/Provincial Fiscal Arrangements		
Provincial Sources	85,779	12,935
Federal Sources	12,277	6,722
	98,056	19,657
Other Revenue	775,114	682,711
Sinking Fund and Public Debt Retirement Fund Earnings	112,834	121,591
Total Revenue	8,908,383	7,952,428

Schedule 2

Expenses

For the fiscal year ended March 31, 2008
($ thousands)

	2008	2007
Agriculture		
Department of Agriculture	75,971	54,552
Community Services		
Department of Community Services	782,262	738,856
Nova Scotia Housing Development Corporation	110,010	97,152
	892,272	836,008
Economic Development		
Department of Economic Development	83,049	—
Education		
Department of Education	312,087	300,706
Annapolis Valley Regional School Board	120,772	114,739
Cape Breton Victoria Regional School Board	144,995	140,113
Chignecto-Central Regional School Board	182,108	174,312
Conseil Scolaire Acadien Provincial	45,583	40,694
Halifax Regional School Board	393,331	378,182
Nova Scotia Community College	169,137	157,157
P3 Schools Capital and Technology Refresh Fund	17	—
South Shore Regional School Board	72,698	65,642
Strait Regional School Board	81,232	78,756
Tri County Regional School Board	64,169	59,785
	1,586,129	1,510,086
Assistance to Universities	422,589	268,710
Energy		
Department of Energy	34,982	17,004
Conserve Nova Scotia	8,809	—
Nova Scotia Gas Market Development Initiative Fund	907	2,804
Pengrowth Nova Scotia Energy Scholarship Fund	130	—
	44,828	19,808
Environment and Labour		
Department of Environment and Labour	71,876	40,865
Resource Recovery Fund Board Incorporated	42,689	41,528
	114,565	82,393

Schedule 2

Expenses (continued)

For the fiscal year ended March 31, 2008
($ thousands)

	2008	2007
Finance		
Department of Finance	28,230	19,591
Nova Scotia Government Fund Limited	506	85
Nova Scotia Pension Agency	19,036	19,653
Sydney Steel Corporation	31	229
3052155 Nova Scotia Limited	91	(117)
	47,894	39,441
Fisheries and Aquaculture		
Department of Fisheries and Aquaculture	6,934	—
Health		
Department of Health	1,354,679	1,274,487
Annapolis Valley District Health Authority	106,738	100,410
Cape Breton District Health Authority	227,031	211,274
Capital District Health Authority	690,786	647,609
Colchester East Hants Health Authority	63,604	60,327
Cumberland Health Authority	52,953	49,332
Guysborough Antigonish-Strait Health Authority	66,993	60,862
Insured Prescription Drug Plan	171,498	166,959
Izaak Walton Killam Health Centre	214,044	200,258
Nova Scotia Gaming Foundation	389	354
Nova Scotia Health Research Foundation	7,496	4,829
Pictou County Health Authority	65,026	60,624
Provincial Drug Distribution Program	74,971	75,031
South Shore District Health Authority	64,856	60,650
South West Nova District Health Authority	87,161	81,861
	3,248,225	3,054,867
Health Promotion and Protection		
Department of Health Promotion and Protection	48,230	49,477
Justice		
Department of Justice	214,755	195,653
Nova Scotia Legal Aid Commission	21,126	18,951
	235,881	214,604
Natural Resources		
Department of Natural Resources	86,889	67,675
Acadia Coal Company Limited Fund	1	2
Coal Research Agreement Fund	150	—
Crown Land Silviculture Fund	2,248	2,080
Habitat Conservation Fund	114	147
Nova Scotia E 911 Cost Recovery Fund	4,645	3,961
Off Highway Vehicle Infrastructure Fund	749	240
Species at Risk Conservation Fund	70	—
Sustainable Forestry Fund	—	549
	94,866	74,654

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Schedule 2

Expenses (continued)

For the fiscal year ended March 31, 2008
($ thousands)

	2008	2007
Public Service		
Public Service	106,684	160,028
Nova Scotia Business Incorporated	27,736	22,690
NS Film Development Corporation	3,807	3,884
NS Innovation Corporation	7,038	5,874
Nova Scotia Nominee Program	12,578	8,932
Interest only for Nova Scotia Nominee Program	47	1,872
Trade Centre Limited	16,377	15,940
Waterfront Development Corporation Ltd.	5,207	3,198
	179,474	222,418
Service Nova Scotia and Municipal Relations		
Department of Service Nova Scotia and Municipal Relations	237,497	195,162
Nova Scotia Municipal Finance Corporation	424	700
	237,921	195,862
Tourism, Culture and Heritage		
Department of Tourism, Culture and Heritage	55,425	52,647
Art Gallery of Nova Scotia	4,041	3,628
	59,466	56,275
Transportation and Infrastructure Renewal		
Department of Transportation and Public Works	363,947	296,011
Harbourside Commercial Park Inc.	160	—
Nova Scotia Lands Inc.	535	—
	364,642	296,011
Restructuring Costs	33,643	95,539
Pension Valuation Adjustment	107,504	83,137
Loss (Gain) on Disposal of Crown Assets	(4,169)	(1,963)

Schedule 2

Expenses (continued)

For the fiscal year ended March 31, 2008
($ thousands)

	2008	2007
Debt Servicing Costs		
Consolidated Fund	905,448	913,359
Annapolis Valley District Health Authority	327	322
Annapolis Valley Regional School Board	412	163
Cape Breton District Health Authority	981	1,138
Cape Breton Victoria Regional School Board	297	325
Capital District Health Authority	6,956	5,366
Chignecto-Central Regional School Board	694	1,043
Colchester East Hants Health Authority	208	205
Conseil Scolaire Acadien Provincial	85	43
Cumberland Health Authority	183	140
Guysborough Antigonish-Strait Health Authority	270	282
Halifax Regional School Board	1,419	1,538
Izaak Walton Killam Health Centre	792	685
Nova Scotia Community College	1,082	—
Nova Scotia Government Fund Limited	244	395
Nova Scotia Housing Development Corporation	31,699	31,160
Nova Scotia Innovation Corporation	66	—
Nova Scotia Legal Aid Commission	146	133
Nova Scotia Municipal Finance Corporation	910	963
Pictou County Health Authority	242	229
South Shore District Health Authority	255	255
South Shore Regional School Board	78	70
South West Nova District Health Authority	346	360
Strait Regional School Board	236	269
Tri-County Regional School Board	76	64
Waterfront Development Corporation Limited	246	237
	953,698	958,744
Total Expenses	8,833,612	8,110,623

Schedule 3

Loans and Investments

As at March 31, 2008
($ thousands)

	Loans and Investments	Provisions	Net 2008	Net 2007
Loans of the Consolidated Fund:				
Agriculture and Rural Credit Act	187,213	17,775	169,438	181,918
Fisheries Development Act	89,165	197	88,968	83,468
Housing Development Act	82,551	24,152	58,399	41,069
Industrial Development Act	106,963	76,543	30,420	32,808
Venture Corporations Act	809	809	—	—
Loans to Municipalities				
Municipal Loan and Building Fund Act	300	—	300	375
Halifax-Dartmouth Bridge Commission	—	—	—	12,000
Miscellaneous	709	—	709	709
Nova Scotia Market Development Initiative Fund	5,600	—	5,600	5,600
	473,310	119,476	353,834	357,947
Loans of Governmental Units:				
Nova Scotia Business Incorporated	129,137	36,573	92,564	99,052
Nova Scotia Government Fund	—	—	—	8,062
Nova Scotia Innovation Corporation	224	—	224	264
Nova Scotia Municipal Finance Corporation	690,169	—	690,169	642,234
Resource Recovery Fund Board	1,114	—	1,114	121
Waterfront Development Corporation	874	—	874	3
	821,518	36,573	784,945	749,736
Total Loans	1,294,828	156,049	1,138,779	1,107,683
Investments of the Consolidated Fund:				
Housing Development Act	2,038	105	1,933	2,009
Industrial Development Act	7,409	—	7,409	7,493
	9,447	105	9,342	9,502
Investments of Governmental Units:				
Art Gallery of Nova Scotia	1,921	—	1,921	1,803
Nova Scotia Business Incorporated	27,710	12,339	15,371	13,218
Nova Scotia Innovation Corporation	16,729	—	16,729	17,266
Resource Recovery Fund Board	1,000	—	1,000	2,051
	47,360	12,339	35,021	34,338
Total Investments	56,807	12,444	44,363	43,840
Total Loans and Investments	1,351,635	168,493	1,183,142	1,151,523

Notes:

The Provisions listed above include amounts for possible guarantee payouts related to the Industrial Development Act $10,200 (2007 - $5,800), the Housing Development Corporation Act $15,066 (2007 - $14,929), and Nova Scotia Business Incorporated $2,894 (2007 - $760).

Also included in Provisions for the Housing Development Corporation Act is $3,200 (2006 - $3,200) for interest fluctuations.

Schedule 4

Unmatured Debt
As at March 31, 2008
($ thousands)

	Gross Debt	Sinking Funds and Defeasance Assets	Net Debt 2008	Net Debt 2007
Governmental Units				
Consolidated Fund	11,030,038	2,011,863	9,018,175	9,806,745
Nova Scotia Government Fund Limited	—	—	—	10,050
Nova Scotia Housing Development Corporation	263,662	—	263,662	273,128
Nova Scotia Municipal Finance Corporation	7,799	—	7,799	12,008
Nova Scotia Power Finance Corporation	1,008,370	1,008,370	—	—
Waterfront Development Corporation Limited	930	—	930	2,885
Other	1,768	—	1,768	2,370
Unmatured Debt of Governmental Units	12,312,567	3,020,233	9,292,334	10,107,186
Government Business Enterprises				
Halifax-Dartmouth Bridge Commission	60,000	—	60,000	61,760
Highway 104 Western Alignment Corporation	73,874	—	73,874	78,600
Nova Scotia Gaming Corporation	19,037	—	19,037	35,132
Nova Scotia Liquor Corporation	4,465	—	4,465	5,313
Unmatured Debt of Government Business Enterprises	157,376	—	157,376	180,805
Total Unmatured Debt	12,469,943	3,020,233	9,449,710	10,287,991

Notes:
All debt is presented in Canadian dollar equivalents and after giving effect to currency swap contracts itemized in Note 5.

The current and long-term portions of unmatured debt of Governmental Units are shown on the Consolidated Statement of Financial Position with reference to this schedule. Debt of Government Business Enterprises is reflected in the Deficiency in Government Business Enterprises and in further detail in Schedule 6.

All foreign debt is hedged to Canadian dollars. A one cent change in the CDN/US$ foreign exchange rate as of March 31, 2008 would result in no change in long-term debt, and no foreign exchange gain or loss.

Sinking fund assets, with a net book value of US$ 208.0 million, continue to be denominated in US dollars. As of March 31, 2008, a one cent change in the CDN/US$ foreign exchange rate would result in a $2.1 million foreign exchange gain or loss.

As of March 31, 2008, the Consolidated Fund held Sinking Funds and Public Debt Retirement Funds of $2,011.9 million. These funds were comprised of $1,793.9 million in Canadian assets and $218.0 million in US assets (US $212.0 million converted to CDN$ based on the underlying securities' effective foreign exchange rates). Total market value of both funds is $2,166.2 million at year-end. During the year, contributions were $55.9 million, total earnings were $112.8 million and there were no redemptions.

Schedule 4

Unmatured Debt (continued)
As at March 31, 2008
($ thousands)

Notes:
Sinking fund assets are recorded at cost, which includes premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized on a straight-line basis over the term of the related investment. The unamortized portion of the premiums and discounts is included as part of the value of the sinking funds. As at March 31, 2008, the unamortized net premium was $58.6 million.

Assets consist primarily of debentures of the provinces and Government of Canada with fixed interest rates ranging from 4.3% to 10% for Canadian funds and 4.45% to 9.50% for US funds. For designated sinking funds, payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over the term of the issue. At year-end, the province held $1,177.7 million carrying value worth of its own debentures (par value of $1,064.8 million) in Sinking Funds and Public Debt Retirement Funds as active investments. These were comprised of $505.7 million in Canadian assets and $672.0 million in US assets.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other provincial governments and utilities, federal US bonds, coupons or residuals. This debt is shown net of defeasance assets on the Statement of Financial Position.

Projected Payments
($ thousands)

	Governmental Units				
	Net Principal Repayments	Sinking Fund Requirements	Total Payments	Government Business Enterprises	Total
2009	310,375	61,546	371,921	15,677	387,598
2010	698,244	61,546	759,790	9,127	768,917
2011	689,432	61,546	750,978	6,432	757,410
2012	1,617,575	61,546	1,679,121	6,155	1,685,276
2013	94,989	61,546	156,535	5,287	161,822
2014 & thereafter	5,152,086	421,903	5,573,989	114,698	5,688,687
	8,562,701	729,633	9,292,334	157,376	9,449,710

Net principal repayments are comprised of the principal amount due less available designated sinking funds to retire the debenture.

In addition, the province has approximately $874.4 million in unrestricted sinking funds that can be used towards the retirement of any unmatured debt. The use of these funds is evaluated each year based on a detailed analysis of cash requirements and market conditions.

Schedule 5

Gross Long-Term Debt
As at March 31, 2008
($ thousands)

	Foreign Exchange Rate	CDN $ Amount	Maturity Dates	Interest Rates
Governmental Units:				
		Debentures		
Consolidated Fund				
Consolidated Fund (CDN$)		10,653,379	2008 to 2038	4.45% to 15.998%
Consolidated Fund (US$)	1.0279	–	2012 to 2022	5.125% to 9.5%
Consolidated Fund (UK)	2.0407	–	2011 to 2019	11.75% to 16.75%
Consolidated Fund (Euro)	1.6244	–	2010	4.475%
Nova Scotia Municipal Finance Corporation		7,799	2008 to 2017	1.0% to 5.5%
Nova Scotia Power Finance Corporation				
Nova Scotia Power Finance Corporation (CDN$)		700,000	2012 to 2031	10.25% to 11.875%
Nova Scotia Power Finance Corporation (US$ 300,000)	1.0279	308,370	2021	9.4%
Total - Debentures		11,669,548		
		Loans		
Consolidated Fund – Other Debt		1,500	2010 to 2013	4.06% to 8.375%
Nova Scotia Housing Development Corporation		263,662	2008 to 2034	4.0% to 21.5%
Waterfront Development Corporation		930	Demand Loan	bank prime less 1.125%
Total - Loans		266,092		
		Capital Leases		
Consolidated Fund		375,159	2008 to 2027	4.25% to 11%
Other		1,768	2010 to 2011	5.0% to 8.0%
Total – Capital Leases		376,927		
Total – Long-term Debt of Governmental Units		**12,312,567**		

Schedule 5

Gross Long-Term Debt (continued)
As at March 31, 2008
($ thousands)

	CDN $ Amount	Maturity Dates	Interest Rates
Government Business Enterprises:			
	Debentures		
Highway 104 Western Alignment Corporation	73,874	2026	10.13%
	Loans		
Halifax-Dartmouth Bridge Commission	60,000	2019	5.13%
Nova Scotia Gaming Corporation	12,179	2013	variable
	Capital Leases		
Nova Scotia Gaming Corporation	6,858	2009	12%
Nova Scotia Liquor Corporation	4,465	2012	13.8%
Total – Long-term Debt of Government Business Enterprises	**157,376**		
Total Gross Long-term Debt	**12,469,943**		

Call, Redemption and Other Features:

Consolidated Fund

Canadian debentures include the following redeemable issues:

-$1,079.4 million in CPP debentures, which are redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada;

-$35 million in medium-term promissory notes, redeemable in whole but not in part, on the initial redemption date and on each redemption date thereafter, on 15 days notice, at the option of the province.

The interest rates shown for the Canadian and US debentures reflect the fixed rates only. There are debentures that have floating and step-up rates. Floating interest rates are adjusted on either a monthly or quarterly basis. Step-up rates are adjusted per the individual promissory note step-up schedules.

Housing Development Corporation

Mortgages and notes payable are secured by investments in social housing.

Highway 104 Western Alignment Corporation

The Corporation has provided an assignment of all the present and future property and assets, including rights to operate the facility, and a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.

Schedule 6

Government Business Enterprises

As at March 31, 2008
($ thousands)

	2008					2007
	Halifax - Dartmouth Bridge Commission	Highway 104 Western Alignment Corporation	Nova Scotia Gaming Corporation	Nova Scotia Liquor Corporation	Total	Total
Cash	7,835	609	10,508	8,281	27,233	33,456
Accounts Receivable	520	816	–	3,359	4,695	2,584
Inventory	–	8	1,490	35,547	37,045	38,504
Tangible Capital Assets	69,927	97,703	91,204	42,522	301,356	295,464
Other Assets	4,682	33,996	2,046	1,006	41,730	86,181
Total Assets	82,964	133,132	105,248	90,715	412,059	456,189
Accounts Payable	3,135	1,471	2,810	68,081	75,497	79,197
Long-term Debt	60,000	73,874	19,037	4,465	157,376	225,424
Other Liabilities	6,419	44,371	83,401	18,169	152,360	135,953
Total – Liabilities	69,554	119,716	105,248	90,715	385,233	440,574
Equity	13,410	13,416	–	–	26,826	15,615
Total Liabilities and Equity	82,964	133,132	105,248	90,715	412,059	456,189
Revenue	27,037	21,515	436,045	536,182	1,020,779	1,017,550
Expenses	12,731	8,551	300,802	335,916	658,000	656,551
Debt Servicing	7,801	8,180	1,045	1,595	18,621	20,358
Total - Expenses	20,532	16,731	301,847	337,511	676,621	676,909
Net Income	6,505	4,784	134,198	198,671	344,158	340,641

Notes:
The year-end for Halifax-Dartmouth Bridge Commission is December 31. The year-end of the other three corporations is March 31.

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Schedule 6

Government Business Enterprises (continued)
As at March 31, 2008

Halifax-Dartmouth Bridge Commission
The Commission is incorporated by Special Statute of the Province of Nova Scotia. The purpose of the Commission is to construct, maintain and operate bridges and their necessary approaches across the Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm. Bridge tolls are regulated by the Nova Scotia Utility and Review Board, a provincially controlled public sector entity. The Commission records amortization on bridge structures, buildings, some bridge components, and electronic transponders using the straight-line method and uses the declining balance method for all other assets. The Commission's fiscal year end is December 31. During the year the Toll Revenue Bonds Series 1, in the amount of $94.4 million and the Line of Credit with the province in the amount of $12.0 million, matured and were repaid in full. On July 25, 2007 the Commission entered into a long term loan agreement with the province for $60.0 million with a final maturity date of December 4, 2019. The loan is held as an investment of the province's Canadian sinking fund. This agreement requires that two reserve funds, the OM Fund and Debt Service Fund, be maintained.

Highway 104 Western Alignment Corporation
The Corporation has been established to finance, design, construct, operate and maintain a 45 kilometre stretch of highway between Masstown and Thompson Station in the counties of Colchester and Cumberland, Nova Scotia. The Province of Nova Scotia retains ownership of the highway. The Corporation is granted the right to operate the highway and collect tolls for a 30-year period, pursuant to an agreement dated April 1, 1996, after which time the right will revert to the province. In addition, the Corporation has entered into an operating agreement with Atlantic Highways Management Corporation whereby compensation is based on the annual operating budget plus a variable fee. The Corporation's fiscal year end is March 31. The Corporation records amortization using the sinking fund method. Restricted assets, consisting of short-term investments in the amount of $33.6 million (2007 - $32.4 million), are included in other assets. These reserve accounts were established in accordance with trust indenture agreements between the Corporation and bondholders.

The Province of Nova Scotia contributed $55.0 million toward the construction of the highway, one-half of which was recovered from the federal government under the Canada-Nova Scotia Strategic Highway Improvement Program. There were no contributions in the current or previous year.

Nova Scotia Gaming Corporation
The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The purpose of the Corporation is to develop, undertake, conduct and manage casinos and other lottery business on behalf of the province. The Corporation's fiscal year end is March 31.

The revenues of the Corporation are derived from two casinos, located in Halifax and Sydney, and ticket and video lottery sales. The net balance owing to the province at March 31, 2008 was $66.4 million (2007 - $53.9 million).

The Corporation is required to reimburse the operator of the casinos for approved development costs of the Halifax and Sydney casinos. The net present value of the remaining obligations for the casinos is approximately $6.9 million (2007 - $22.6 million).

Unclaimed prizes are retained by the Corporation in a prize fund for one year from the announced beginning date of the draw. At March 31, 2008, this amounted to $2.7 million (2007 - $1.8 million). Restricted cash in the amount of $2.7 million (2007 - $1.8 million) is included in cash.

Schedule 6

Government Business Enterprises (continued)
As at March 31, 2008

Video Lottery Terminal (VLT) retailers in Nova Scotia have agreed, under the terms of their agreements with Atlantic Lottery Corporation Inc., to contribute 1 per cent of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

In July 2006, as part of its Gaming Strategy, government approved a contribution of $3.0 million to Nova Scotia Health Promotion and Protection in 2008 (2007 - $3.0 million) to fund problem gambling treatment. In July 2007, government approved a contribution of $1.0 million in 2008 to support the harness racing industry in Nova Scotia. The 2009 budget includes $1.0 million to support the harness racing industry in Nova Scotia.

Nova Scotia Liquor Corporation

The Corporation derives its mandate from the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989. The Corporation operates retail sales locations across the province. Its fiscal year end is March 31. The net balance owing to the province at March 31, 2008 was $31.7 million (2007 - $38.2 million).

Schedule 7

Tangible Capital Assets

As at March 31, 2008
($ thousands)

	2008						2007
	Land	Buildings and Land Improvements	Machinery Computers and Equipment	Vehicles and Ferries	Roads, Bridges and Highways	Total	Total
Costs							
Opening Costs	588,120	3,412,903	983,008	103,744	994,903	6,082,678	5,553,485
Additions	17,513	171,729	88,686	15,209	143,966	437,103	548,239
Disposals	(2)	(7,508)	(20,424)	(3,106)	(1,543)	(32,583)	(19,046)
Closing Costs	605,631	3,577,124	1,051,270	115,847	1,137,326	6,487,198	6,082,678
Accumulated Amortization							
Opening Accumulated Amortization	—	(1,257,661)	(689,305)	(64,476)	(383,119)	(2,394,561)	(2,166,167)
Disposals	—	5,846	16,033	2,609	622	25,110	13,480
Amortization Expense	—	(108,838)	(72,809)	(9,268)	(76,445)	(267,360)	(241,874)
Closing Accumulated Amortization	—	(1,360,653)	(746,081)	(71,135)	(458,942)	(2,636,811)	(2,394,561)
Net Book Value	605,631	2,216,471	305,189	44,712	678,384	3,850,387	3,688,117
Opening Balance	588,120	2,155,242	293,703	39,268	611,784	3,688,117	3,387,318
Closing Balance	605,631	2,216,471	305,189	44,712	678,384	3,850,387	3,688,117
Increase (Decrease) in Net Book Value	17,511	61,229	11,486	5,444	66,600	162,270	300,799

Schedule 7

Notes to Schedule 7
($ thousands)

Amortization is calculated on a declining balance basis for assets of the Consolidated Fund. The amortization percentages of the more common tangible capital assets are: buildings and land improvements (5 per cent); machinery, computers and equipment (15-50 per cent); vehicles and ferries (15-35 per cent); and roads, bridges and highways (5-15 per cent). Capital leases are amortized on a straight-line basis over the length of each lease (3-25 years).

Amortization is generally calculated on a straight-line basis for assets of other governmental units. The estimated useful lives of the more common tangible capital assets are: buildings (including leasehold improvements) and land improvements (3-50 years); machinery, computers and equipment (3-50 years); and vehicles and ferries (3-7 years). Capital leases are amortized on a straight-line basis (generally 3-20 years).

Social Housing assets are included in Buildings and Land Improvements and relate to the Housing Development Corporation. These assets are amortized using the straight-line method. The net book value of these assets is $320,688 (2007 - $325,030).

Included in the closing costs totals of the various classes as of March 31, 2008, are costs for assets under construction, which have not yet been amortized. These costs are buildings and land improvements- $97,201; machinery, computers and equipment - $35,001; vehicles and ferries - $10,539; and roads, bridges and highways - $38,075.

Capital leases are included in the various categories as follows: buildings and land improvements – cost $470,522, accumulated amortization ($190,659); machinery, computers and equipment – cost $39,784, accumulated amortization ($32,503); and vehicles and ferries – cost $17,955, accumulated amortization ($7,938).

Schedule 8

Direct Guarantees
As at March 31, 2008
($ thousands)

	Authorized 2008	Utilized 2008	Utilized 2007
Bank Loans:			
Nova Scotia Business Incorporated	5,008	5,008	4,004
Industrial Development Act	91,061	77,152	83,706
Nova Scotia Fisheries and Aquaculture Loan Board	100	100	100
Department of Education – Student Loan Program	157,004	157,004	157,928
Total – Bank Loan Guarantees	253,173	239,264	245,738
Promissory Notes:			
3052155 NS Limited to Canada-Nova Scotia Offshore Petroleum Board	2,500	2,500	2,500
Total – Promissory Note Guarantees	2,500	2,500	2,500
Mortgages:			
Housing Development Corporation Act	11,096	11,096	11,725
Housing Development Corporation Act - CMHC Indemnities	126,248	126,248	137,217
Provincial Finance Act	127	127	240
Total – Mortgage Guarantees	137,471	137,471	149,182
Other Guarantees:			
Aliant Telecom MASH Sector	116	116	424
Equity Tax Credit Act – Community Economic Development Investment Funds	1,365	1,365	1,931
Nova Scotia Government Fund	—	—	9,840
Total – Other Guarantees	1,481	1,481	12,195
Total – Direct Guarantees	394,625	380,716	409,615
Less Provision for Guarantee Payout:			
Industrial Development Act		(10,200)	(5,800)
Nova Scotia Business Incorporated		(2,894)	(760)
Department of Education – Student Loan Program		(32,248)	(32,839)
Housing Development Corporation Act		(15,066)	(14,929)
3052155 Nova Scotia Limited		(500)	(500)
		(60,908)	(54,828)
Less Provision for Debt Reduction Program:			
Department of Education – Student Loan Program		(15,771)	(15,085)
Net Direct Guarantees not provided for in these statements		304,037	339,702

Schedule 9

Segment Reporting
As at March 31, 2008

For 2007-08, the province prepared this new schedule to comply with the requirements of a new section of the Public Sector Accounting Handbook, PS2700 Segment Reporting. Segment reporting is designed to assist users to identify the resources allocated to support the major activities of government and to better understand the performance of segments.

The following schedules provide segment information for the 2007-08 and 2006-07 fiscal years. The province has determined that the following segments represent the major activities for the government.

Health — The provision of such services and institutions to the public that will lead to a higher state of personal health.

Education — The provision of all aspects and phases of training to equip people with necessary skills to pursue productive lives.

Infrastructure & Public Works — The provision of the means to facilitate the effective and efficient movement of persons and property. This includes the net results of the Halifax-Dartmouth Bridge Commission and the Highway 104 Western Alignment Corporation.

Social Services — The provision of services and assistance to economically and/or socially disadvantaged persons requiring aid.

Natural Resources & Economic Development — The provision for the maintenance and upkeep, efficient extraction and processing of the natural attributes of the province with the aim of creating employment and contributing to the material well-being of residents.

Other — The provision of all other essential services which are necessary for the efficient and effective operation of government. This also includes items which assure a benefit to the whole of government and cannot be identified with any other function.

Unallocated — Revenues and expenses that cannot be directly allocated on a reasonable basis to individual segments because they support a wide range of service delivery activities or relate to general administration activities that are not identified as a separate segment. This includes items like tax revenues, income from government business enterprises and pension valuation adjustment.

Schedule 9

Segment Reporting

For the fiscal year ended March 31, 2008
($ thousands)

	Health	Education	Infrastructure and Public Works	Social Services	Natural Resources Economic Development	Other	Unallocated	Eliminations	Total
Revenue									
Provincial Sources	52,203	11,817	11,289	23,902	50,580	215,799	4,678,027	(114,055)	4,929,562
Federal Sources	56,229	73,006	30,526	66,463	7,490	64,808	2,784,701	–	3,083,223
Other Revenue	309,423	336,416	10,200	70,946	137,889	225,535	54,232	(17,719)	1,126,922
Sinking Fund Earnings	–	–	–	–	–	–	112,834	–	112,834
Total Revenue	417,855	421,239	52,015	161,311	195,959	506,142	7,629,794	(131,774)	9,252,541
Expenses									
Grants and Subsidies	1,153,704	585,774	5,964	675,195	200,887	229,862	–	(29,832)	2,821,554
Salaries and Employee Benefits	1,292,835	981,455	121,175	107,231	139,953	354,855	–	(68,567)	2,928,937
Operating Goods and Services	768,071	321,531	130,399	118,007	124,833	110,581	–	(5,818)	1,567,604
Professional Services	65,851	12,184	14,660	5,462	13,569	125,255	–	–	236,981
Amortization	80,337	60,136	96,031	13,932	4,938	11,986	–	–	267,360
Debt Servicing Costs	–	–	–	–	–	–	978,047	(24,349)	953,698
Other	–	44,320	–	–	20,351	184	(4,169)	(3,208)	57,478
Total Expenses	3,360,798	2,005,400	368,229	919,827	504,531	832,723	973,878	(131,774)	8,833,612
Segment Results	(2,942,943)	(1,584,161)	(316,214)	(758,516)	(308,572)	(326,581)	6,655,916	–	418,929

Segment Reporting

For the fiscal year ended March 31, 2007
($ thousands)

	Health	Education	Infrastructure and Public Works	Social Services	Natural Resources Economic Development	Other	Unallocated	Eliminations	Total
Revenue									
Provincial Sources	25,070	6,554	10,683	20,335	42,850	18,912	4,275,204	(78,745)	4,320,863
Federal Sources	64,762	62,964	17,613	57,323	6,293	238,341	2,363,915		2,811,211
Other Revenue	246,077	325,457	10,885	64,947	141,454	222,508	49,341	(21,265)	1,039,404
Sinking Fund Earnings	—	—	—	—	—	—	121,591	—	121,591
Total Revenue	335,909	394,975	39,181	142,605	190,597	479,761	6,810,051	(100,010)	8,293,069
Expenses									
Grants and Subsidies	1,087,068	422,163	347	649,339	93,961	188,703	—	(27,155)	2,414,426
Salaries and Employee Benefits	1,210,312	963,681	110,422	90,974	128,656	303,182	—	(38,889)	2,768,338
Operating Goods and Services	737,303	299,702	103,176	99,972	121,784	83,190	—	(10,155)	1,434,972
Professional Services	53,638	12,321	12,141	6,731	12,532	140,548	—	(98)	237,813
Amortization	82,537	55,220	79,542	12,925	4,978	6,672	—	—	241,874
Debt Servicing Costs	—	—	—	—	—	—	980,241	(21,497)	958,744
Other	313	39,854	—	—	16,596	1,875	(1,966)	(2,216)	54,456
Total Expenses	3,171,171	1,792,941	305,628	859,941	378,507	724,170	978,275	(100,010)	8,110,623
Segment Results	(2,835,262)	(1,397,966)	(266,447)	(717,336)	(187,910)	(244,409)	5,831,776	—	182,446

Schedule 10

Government Reporting Entity
As at March 31, 2008

Listed below are the governmental units, government business enterprises and government partnership arrangements that comprise the government reporting entity.

Governmental Units
(Consolidation Method)

Acadia Coal Company Limited Fund
AgraPoint International Inc.
AgriTECH Park Inc.
Annapolis Valley District Health Authority
Annapolis Valley Regional School Board
Art Gallery of Nova Scotia
Bioscience Enterprise Centre Incorporated
Cape Breton District Health Authority
Cape Breton Victoria Regional School Board
Capital District Health Authority
Check Inns Limited (inactive)
Chignecto-Central Regional School Board
Coal Research Agreement Fund
Colchester East Hants Health Authority
Conserve Nova Scotia
Conseil Scolaire Acadien Provincial
CorFor Capital Repairs & Replacements Fund
Consolidated Fund (1)
Crown Land Mine Remediation Fund
Crown Land Silvaculture Fund
Cumberland Health Authority
Democracy 250
Gaming Addiction Treatment Trust Fund
Guysborough Antigonish-Strait Health Authority
Habitat Conservation Fund
Halifax Regional School Board
Harbourside Commercial Park Inc.
Industrial Expansion Fund
Izaak Walton Killam Health Centre
Law Reform Commission
Mainstream 1992 Fund
Muggah Creek Remediation Fund
Nova Scotia Arts Council (inactive)
Nova Scotia Blueberry Institute Fund
Nova Scotia Business Incorporated
Nova Scotia Community College
  Nova Scotia Community College Foundation
Nova Scotia Coordinate Referencing System Trust Fund
Nova Scotia Crop and Livestock Insurance Commission
Nova Scotia E911 Cost Recovery Fund
Nova Scotia Environmental Trust
Nova Scotia Farm Loan Board
Nova Scotia Film Development Corporation
Nova Scotia Fisheries and Aquaculture Loan Board
Nova Scotia Gaming Foundation
Nova Scotia Government Acadian Bursary Program Fund
Nova Scotia Government Fund Limited
Nova Scotia Harness Racing Incorporated
Nova Scotia Health Research Foundation
Nova Scotia Housing Development Corporation
  Annapolis Valley Housing Authority
  Cape Breton Island Housing Authority
  Cobequid Housing Authority
  Eastern Mainland Housing Authority
  Metropolitan Regional Housing Authority
  South Shore Housing Authority
  Tri-County Housing Authority
Nova Scotia Innovation Corporation
  1402998 Nova Scotia Limited
  3039255 Nova Scotia Limited
  3087532 Nova Scotia Limited
Nova Scotia Lands Inc.
Nova Scotia Legal Aid Commission
Nova Scotia Market Development Initiative Fund
Nova Scotia Municipal Finance Corporation
Nova Scotia Nominee Program Fund
Nova Scotia Pension Agency
Nova Scotia Power Finance Corporation
Nova Scotia Primary Forest Products Marketing Board
Nova Scotia School Boards Association (2)
Nova Scotia School Insurance Exchange (3)
Nova Scotia School Insurance Program Association (3)
Nova Scotia Sportfish Habitat Fund
Nova Scotia Strategic Opportunities Fund Incorporated
Nova Scotia Utility and Review Board
Off-Highway Vehicle Infrastructure Fund
P3 Schools Capital & Technology Refresh Fund (4)

(1) – Includes all departments and public service units of the Nova Scotia Provincial Government
(2) – Entity is a partnership controlled by the eight school boards.
(3) – Entity is a partnership controlled by the eight school boards and the Community College
(4) – This includes all refresh funds related to P3 schools.

Schedule 10

Government Reporting Entity (continued)
As at March 31, 2008

Governmental Units (continued)
(Consolidation Method)

Pengrowth Nova Scotia Energy Scholarship
Pictou County Health Authority
Provincial Drug Distribution Program
Public Archives of Nova Scotia
Public Debt Management Fund
Resource Recovery Fund Board Incorporated
Rockingham Terminal Incorporated (inactive)
Scotia Benefit Fund
Scotia Learning Technology Refresh Fund
Sherbrooke Restoration Commission
South Shore District Health Authority
South Shore Regional School Board
South West Nova District Health Authority
Species-at-risk Conservation Fund
Strait Regional School Board
Sustainable Forestry Fund
Sydney Environmental Resources Limited
Sydney Steel Corporation
Sydney Tar Ponds Agency
Sydney Utilities Limited
Sysco Decommissioning Fund
Trade Centre Limited
  Maritime Fall Fair Association
Tri-County Regional School Board
Upper Clements Family Theme Park Limited
Waterfront Development Corporation Limited
3052155 Nova Scotia Limited
3104102 Nova Scotia Limited

Government Business Enterprises
(Modified Equity Method)

Halifax-Dartmouth Bridge Commission
Highway 104 Western Alignment Corporation
Nova Scotia Gaming Corporation
  Atlantic Lottery Corporation (25% ownership)
  Interprovincial Lottery Corporation (10% ownership)
Nova Scotia Liquor Corporation

Government Partnership Arrangements
(Proportionate Consolidation Method)
Atlantic Provinces Special Education Authority
(approximately 55% share)
Canada-Nova Scotia Offshore Petroleum Board (50% share)
Canadian Sports Centre Atlantic (approximately 8% share)
Council of Atlantic Premiers (approximately 45% share)

NOVA SCOTIA

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2008

1. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, that for purposes of the province's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

These consolidated financial statements have been prepared using the following significant accounting policies:

a) The Government Reporting Entity

The Government Reporting Entity is comprised of the Consolidated Fund, other Governmental Units, Government Business Enterprises and Government Partnership Arrangements. Governmental Units and Government Business Enterprises represent the entities that are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements. Government Partnership Arrangements represent entities for which decision making and significant risks and benefits are shared with other parties outside of the Government Reporting Entity.

Trusts administered by the province are excluded from the reporting entity and are disclosed separately on the Statement of Financial Position for information purposes only.

b) Principles of Consolidation

A Governmental Unit is a government organization that is not a Government Business Enterprise. Governmental Units include government departments, public service units, funds, agencies, service organizations, boards, government not-for-profit organizations and government business-type organizations. The accounts of Governmental Units are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1 (c), with the exception of Tangible Capital Assets. Significant inter-organization accounts and transactions are eliminated.

A Government Business Enterprise is a self-sustaining organization that has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. Government Business Enterprises have been accounted for on the modified equity basis which does not require any accounting policy adjustments. The total net equity of all Government Business Enterprises is included in the Statement of Financial Position. The total net income is shown as a separate item in the Statement of Operations.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2008

A Government Partnership is a contractual arrangement between the government and a party or parties outside the reporting entity. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. Where significant, the government's interest in partnerships is accounted for on the proportionate consolidation method.

A complete listing of the organizations within the Government Reporting Entity is provided in Schedule 9.

Financial results from fiscal year end to March 31, 2008, for Government Business Enterprises whose fiscal year ends are not March 31, were not significant to these consolidated financial statements so they have not been adjusted.

c) Significant Accounting Policies

Revenues
Revenues are recorded on the accrual basis. The main components of revenue are interest, various taxes and legislated levies. Revenues from Personal and Corporate Income Taxes, as well as Harmonized Sales Taxes are accrued in the year earned based upon estimates using statistical models. These revenues are recorded at the net amount estimated, after considering adjustments for tax credits and administrative costs related to the collection and processing performed by the federal government.

Government transfers are recognized as revenue in the period during which the transfer is authorized and any eligibility criteria are met. Transfers are recorded as deferred revenue if they are restricted for a stated purpose, such as a specific program or the purchase of tangible capital assets.

Expenses
Expenses are recorded on the accrual basis and are reported in more detail in Note 9 – Expenses By Object. Grants are recognized in the period during which the grant is authorized and any eligibility criteria are met. Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets
Cash and Short-term Investments are recorded at cost, which approximates market value. Investments are R-1 (low, mid, high) rated federal and provincial government bills or promissory notes, bankers' acceptances, term deposits and commercial paper. Terms of investments are generally 1 to 90 days. The average interest rate is 2.54 per cent at year-end.

Accounts Receivable and Advances are recorded at the principal amount less valuation allowances.

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower of cost and net realizable value.

Loans are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the province and is recognized as an expense at the date of issuance of the loan. Any loan write offs must be approved by the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2008

Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the province and is recognized as an expense at the date of issuance of the investment. Any write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Liabilities

Bank Advances and Short-term Borrowings have initial maturities of one year or less and are recorded at cost that approximates market value. Short-term Borrowings had a weighted average interest rate of 3.28 per cent at year-end on Canadian dollar borrowings.

Unmatured Debt consists of debentures and various loans in Canadian and foreign currencies and capital leases. Debt is recorded at par, net of sinking funds (including public debt management funds).

Hedge accounting is used when financial instruments form a hedging relationship, the relationship is highly effective and it is considered to be consistent with the province's financial risk management goals.

Sinking Fund and Public Debt Retirement Fund investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments and the Government of Canada. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and installments are netted against sinking fund earnings.

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies, and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31 and upon entering into derivative contracts. Foreign exchange gains and losses on the translation of foreign currency are amortized on a straight-line basis over the remaining term of the related monetary issue.

Premiums and discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances, serial retirements, sinking fund balances and installments are charged to debt servicing costs except as noted above.

Pension, Retirement and Other Obligations include various employee future benefit plans. Pension liabilities for defined benefit plans are calculated using the projected benefit actuarial method using accounting assumptions that reflect the province's best estimates of performance over the long-term. The projected benefit actuarial method attributes the estimated cost of retirement benefits to the periods of employee service. The net pension liability represents accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five-year period. The pension benefit plan for the majority of health sector employees is offered by a multi-employer plan administrator and is not sponsored by the province. Employer contributions to this plan are expensed in the period paid. The accrued benefit asset (liability) of this plan is not recognized in these financial statements.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2008

Net Direct Debt
Net Direct Debt represents the direct liabilities of the province less financial assets and unamortized foreign exchange translation gains and losses and premiums and discounts on outstanding debenture issues.

Non-Financial Assets
Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production and supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at gross historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible Capital Assets include land, buildings, major equipment and software, vehicles, ferries, roads, highways, and bridges. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources or works of art and historical treasures. Tangible capital assets are amortized to expense over the useful lives of the assets. The amortization methods and rates selected by entities other than the Consolidated Fund are not adjusted to the methods and rates used by the Consolidated Fund.

Inventories of Supplies are held for consumption or use by the province in the course of its operations. All entities record inventory at the lower of cost and net realizable value.

Prepaid Expenses are cash disbursements for goods or services, other than Tangible Capital Assets and Inventories of Supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficits
Accumulated Deficits represent the direct liabilities of the province less financial assets, non-financial assets and unamortized foreign exchange translation gains and losses and premiums and discounts on outstanding debenture issues. This represents the accumulated balance of net surpluses/deficits arising from the operations of the province.

d) Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in these financial statements in the accruals for such items as pension, retirement and other obligations, environmental remediation obligations, federal, and provincial source revenues. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the province's various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists for environmental remediation obligations because the actual extent of remediation activities required may differ significantly based on the actual extent of site contamination and the chosen remediation process. Uncertainty related to Sales and Income Taxes, petroleum royalties, CHT and CST arises because of the possible differences between the estimated and actual economic growth and other assumptions used in statistical models to accrue these revenues.

NOVA SCOTIA

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2008

2. Accounting Changes

There were no significant accounting changes made during the 2007-08 fiscal year.

3. Restricted Cash and Short-Term Investments

As at March 31, 2008 restricted cash and short-term investments of $95.3 million (2007 - $84.4 million) have been designated for restricted purposes by parties external to the province. Restricted cash includes $51.8 million for future housing expenditures from the Nova Scotia Housing Development Corporation; $25.6 million from Capital District Health Authority for the Centre for Clinical Research and other purposes; $9.6 million for gas market development from the Nova Scotia Market Development Initiative; and $8.3 million for various other purposes.

4. Deferred Revenue

Receipts are recorded as deferred revenue if they are restricted by external parties for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized into revenue over time as the recognition criteria are achieved or is drawn down to reimburse third parties as conditions are met. The balance includes the following components:

($ thousands)

	2008	2007
Offshore Accord	647,241	715,479
C-52 Federal Trusts Agreement	71,115	—
Office of Immigration's - Nova Scotia Nominee Program (funds held in segregated account)	64,831	72,092
C-48 Federal Trust Agreements	39,867	82,957
Nova Scotia Housing Development Corporation's Social Housing Agreement	51,516	44,038
Early Learning Child Care funds	38,772	42,176
Capital District Health Authority's Capital and Research Funds	37,161	43,197
Nova Scotia Gas Tax Agreement on Municipal Funding	19,156	21,416
Wait Times Reduction Fund	17,056	51,445
Other	67,567	72,481
Total Deferred Revenue	1,054,282	1,145,281

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2008

5. Derivative Financial Instruments

The province is a party to financial instruments with off-balance sheet risk, either to hedge against the risks associated with fluctuations in foreign currency exchange rates or to manage risks associated with interest rate fluctuations. Foreign currency contracts are used to convert the liability for foreign currency borrowing and associated costs into Canadian dollars. Interest rate contracts are used to vary the amounts and periods for which interest rates on financial instruments are fixed or floating. Foreign exchange contracts include forward and swap agreements. Interest rate contracts include swap agreements and options on swaps.

The province's credit policy is that it only executes derivative transactions with counter parties with an A rating or better.

The province had the following interest and currency swap contracts outstanding at March 31, 2008:

# of Swaps	Currency	Notional Principal	Term Remaining	Mark to Market*
		($thousands)	(years)	($millions)
151	CDN$	1,899,994	51 days to 23	(10.7)
25	US$	3,294,000	4 to 14	(480.1)
2	UK	83,250	3 and 11	(9.8)
1	Euro	50,000	2	5.4

*Mark to Market is an indication of the swap's market value as at March 31, 2008. This represents the estimated realizable gain (loss), and is equivalent to the present value of future savings (losses) based on market conditions as at March 31, 2008.

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The province has executed several currency swap contracts/forward agreements to convert foreign denominated debt into Canadian denominated debt. The mark to market of these swap/contracts are included in the previous table, and the currency swap contracts are as follows:

Termination Date	*Original Currency*	*Original Principal*	*Current Currency*	*Current Principal*
		($ thousands)		*($ thousands)*
SWAPS:				
October 28, 2011	UK	23,250	CDN$	56,283
April 16, 2019	UK	60,000	CDN$	114,387
February 27, 2012	US$	500,000	CDN$	795,000
July 27, 2013	US$	300,000	CDN$	299,850
March 15, 2016	US$	150,000	CDN$	205,725
January 26, 2017	US$	500,000	CDN$	586,500
February 1, 2019	US$	200,000	CDN$	198,000
July 1, 2019	US$	200,000	CDN$	199,900
November 15, 2019	US$	244,000	CDN$	246,318
March 1, 2020	US$	300,000	CDN$	409,200
May1, 2021	US$	300,000	CDN$	312,002
April 1, 2022	US$	300,000	CDN$	379,517
July 30, 2022	US$	300,000	CDN$	329,310
February 24, 2010	Euro	50,000	CDN$	72,235

At March 31, 2008 the province had entered 5 forward agreements to convert future interest payments on foreign debt into Canadian dollars as follows:

Termination Date	*Original Currency*	*Original Principal*	*Current Currency*	*Current Principal*
		($ thousands)		*($ thousands)*
May 15, 2008 to November 14, 2008	US$	49,380	CDN$	50,391

6. Federal Equalization Repayable Loan

The province received an equalization repayable loan from the federal government in March 2005 in the amount of $120.3 million. The loan bears no interest and is being repaid over 10 years, with bi-monthly deductions of $501,342 to commence in April 2006. As of March 31, 2008 the balance of the loan is $96,257,584.

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7. Pension, Retirement and Other Obligations

a) Description of Obligations

The province offers a variety of pension, other retirement, post-employment and special termination benefits. The province is responsible for adequately funding most of the plans. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the province to pay benefits occurs. The significant plans are detailed as follows:

i) Pension Benefit Plans

The province sponsors two funded pension plans, the Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP). Both plans are defined benefit plans with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures, secured mortgages and real estate. The plans are jointly funded with contributions from employees being matched by the province. Benefits paid upon retirement are based on an employee's length of service, rate of pay and inflation adjustments.

On April 1, 2006, the Minister of Finance transferred responsibility for the governance of the Nova Scotia Teachers' Pension Fund to the Teachers' Pension Plan Trustee Inc., (TPPTI). The TPPTI is a body corporate comprised of nine board members – four nominated by the Nova Scotia Teachers' Union, four nominated by the province and one Chair agreed to by both parties. As a result of this transfer, the province and Union agreed to share all surpluses and deficits of the plan equally. The province accounts for one-half of all components of the accrued benefit liability associated with the plan in its financial statements. In addition, the province recognizes one-half of components associated with the net benefit expense (recovery) associated with this plan. As of March 31, 2008, the total accrued benefit liability associated with the plan was $77.3 million.

The province has several unfunded defined pension plans. The majority of these plans do not require contributions from employees. Benefits paid upon retirement are based on an employee's length of service, rate of pay and inflation adjustments.

Employees in the health sector are members of a multi-employer defined benefit pension plan. As the province does not sponsor this plan, the annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. The accrued benefit asset (liability) of this plan is not recognized in these financial statements. The most recent actuarial valuation was performed on December 31, 2005 and showed a funding excess for the entire plan of $44 million. An extrapolation to December 31, 2007, was performed, which indicated a funding surplus of $38.9 million.

ii) Other Retirement Benefit Plans

The province sponsors two other retirement benefit plans: retirement allowances and retirement health plan benefits. These plans are not funded. Benefits paid upon retirement for retirement allowances are based on an employee's length of service and rate of pay. Retirement health plan benefits vary depending on the collective agreements negotiated with each group. The province pays 65% and 100% of the cost of retirement health plan benefits for the PSSP and TPP retirees respectively.

iii) Post-Employment Benefits

The province offers two significant post-employment benefit plans: Self Insured Workers' Compensation and Long-Term Disability. The amount recorded in these financial statements represents the actual amount of benefits paid during the year plus the actuarial estimate of future payments, based on claims ongoing at year-end. For the Long-Term Disability plan, the obligation is offset by the market related value of plan assets.

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iv) Special Termination Benefits

The province has offered early retirement incentive programs to members of the PSSP and TPP at various times commencing in 1986 and 1994 respectively. Qualified members were offered additional years of pensionable service if they elected to retire. The cost of these benefits was accrued in the year the employee accepted the early retirement option.

b) Summary of Activity in Defined Benefit Plans

Accrued Benefit Liability
($ thousands)

	2008	2007
Pension Benefit Plans	328,029	215,741
Other Benefit Plans	1,292,676	1,220,640
	1,620,705	1,436,381

Activity During the Year
($ thousands)

	Pension Benefit Plans		Other Benefit Plans	
	2008	2007	2008	2007
Projected benefit obligation, beginning of year	6,902,796	8,627,438	1,195,923	1,206,972
Reduction of obligation on move to joint trusteeship (see a i)	—	(2,286,529)	—	—
Current benefit cost	179,383	179,557	60,145	54,189
Interest cost	476,633	449,916	66,138	68,411
Actuarial (gains) losses	107,178	308,291	117,769	(72,857)
Benefit payments	(402,337)	(379,543)	(79,251)	(92,885)
Other	8,794	3,666	324	2,089
Plan amendments	—	—	32,056	30,004
Projected benefit obligation, end of year	7,272,447	6,902,796	1,393,104	1,195,923
Market related value of plan assets, beginning of year	5,791,909	7,708,044	67,788	54,711
Reduction of assets on move to joint trusteeship (see a i)	—	(2,152,887)	—	—
Expected return on plan assets	405,227	388,077	4,754	3,916
Actuarial gains (losses)	78,846	26,843	(18)	(208)
Benefit payments	(402,337)	(379,543)	(79,251)	(92,885)
Other	7,933	4,588	(713)	(403)
Employer contributions	121,714	109,367	77,640	92,152
Employee contributions	100,997	87,420	10,383	10,505
Market related value of plan assets, end of year	6,104,289	5,791,909	80,583	67,788
Funded status, end of year	(1,168,158)	(1,110,887)	(1,312,521)	(1,128,135)
Unamortized net actuarial (gains) losses	840,129	895,146	20,283	(92,505)
Valuation Allowance	—	—	(438)	—
Accrued benefit liability, end of year	(328,029)	(215,741)	(1,292,676)	(1,220,640)

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c) **Actuarial Assumptions**

The table below shows significant weighted-average assumptions used to measure pension and other benefit plan obligations.

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Long-term inflation rates	2.5%	2.5%	2.5%	2.5%
Expected real rate of return on plan assets	4.5%	4.5%	—	—
Rate of compensation increase	2.75% to 5.5% + merit	2.75% to 5.5% + merit	2.75% to 4.95% + merit	2.75% to 5.5% + merit
Discount Rate – Main plans	7.11%	7.11%	4.95%	5.7%
Other	—	—	4.95% to 6.7%	5.7% to 6.7%

Other assumptions used were:

6.5 per cent annual rate increase in the cost per person of covered healthcare benefits for 2006-07, decreasing at 0.25 per cent per annum to an ultimate rate of 4.5 per cent per annum.

11% annual rate increase in the cost per person of covered prescription drugs for 2006-07, decreasing at 1 per cent per annum to an ultimate rate of 4.5% per annum.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the province's best estimate of performance over the long-term.

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d) Other Disclosure

The net unamortized actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee groups ranging from 6 years to 16 years (weighted-average EARSL is 14 years).

During the year, the weighted average actual rate of return on plan assets was (3.5 per cent) (2007 – 10.4 per cent). The total market value of plan assets is $8.1 billion (2007 - $8.7 billion) at March 31, 2008.

The most recent actuarial valuations performed for most of the benefit plans was at December 31, 2006 with the exception of certain other retirement benefit plans that were performed on December 31, 2005 and the post-employment benefit plans that are performed annually at March 31.

e) Net Benefit Plans Expense (Recovery)

The table below shows the components of the net benefit plans expense (recovery).

($ thousands)

	Pension Benefits		Other Benefits	
	2008	**2007**	**2008**	**2007**
Current benefit cost	179,383	179,557	60,145	54,189
Employee contributions	(101,522)	(87,915)	(10,387)	(10,529)
Employer contributions*	30,454	29,658	—	—
Plan amendments	—	—	32,056	30,004
Amortization of net actuarial (gains) losses	83,368	59,776	4,944	(8,087)
Recognition of actuarial losses on plan amendment	—	—	—	(12,709)
Other	81	(35)	1,227	2,003
Increase in valuation allowance	—	—	438	—
Interest cost	476,633	449,916	66,138	68,411
Expected return on plan assets	(405,227)	(388,077)	(4,754)	(3,916)
Employer contributions to multi-employer plan	67,425	55,439	—	—
Net benefit plans expense (recovery)	330,595	298,319	149,807	119,366

* This represents one-half of the employer contributions made by PNS to the TPP. Included in the figures above for 2008 and 2007, are one-half of all transactions associated with TPP to reflect the province's share of this plan.

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8. Trust Funds Under Administration

Trust fund assets administered by the province (before giving consideration to actuarial adjustments) are:

($ thousands)

	2008	2007 (as restated)
Public Service Superannuation Fund (1)	3,583,387	3,817,047
Nova Scotia Teachers' Pension Fund (4)	4,610,008	4,758,444
Sydney Steel Corporation Superannuation Plan (1), (2)	(692)	2,835
Nova Scotia Public Service Long Term Disability Plan (1), (4)	77,558	68,611
Nova Scotia Credit Union Deposit Insurance Corporation (1), (4)	16,973	15,354
Public Trustee (1)	40,557	34,178
Miscellaneous Trusts (3)	29,806	26,339
Total Trust Funds Under Administration	8,357,597	8,722,808

(1) See Public Accounts Volume II for full financial statements of these funds.
(2) Administration of the assets of Sydney Steel Corporation Superannuation Fund was assumed during fiscal 2001.
(3) Miscellaneous trusts include a large number of relatively small funds.
(4) These represent trusts with December 31 year ends. Trust asset balances at March 31 did not differ significantly.

9. Expenses by Object

($ thousands)

	2008	2007
Grant and Subsidies	2,821,554	2,414,426
Salaries and Employee Benefits	2,928,937	2,768,338
Operating Goods and Services	1,567,604	1,434,972
Professional Services	236,981	237,813
Amortization	267,360	241,874
Debt Servicing Costs	953,698	958,744
Other	57,478	54,456
Total Expenses	8,833,612	8,110,623

Province of Nova Scotia
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10. Debt Servicing Costs

($ thousands)

	2008	2007
CDN$ Denominated Debt	706,181	683,310
US$ Denominated Debt	74,810	100,029
Pension, Retirement and Other Obligations	132,790	126,337
Capital Leases	25,061	26,482
Other Debt	23,917	27,877
Premium / Discount Amortization	2,289	2,129
Foreign Exchange	(12,213)	(8,312)
Miscellaneous	863	892
Total Debt Servicing Costs	953,698	958,744

Debt servicing costs for Government Business Enterprises was $18.6 million for the year ended March 31, 2008 ($20.4 million for the year ended March 31, 2007).

11. Cash-Flow – Net Change in Other Items

($ thousands)

	2008	2007 (as restated)
Change in Receivables from Government Business Enterprises	4,638	(39,150)
Change in Receivables and Advances	(320,127)	47,889
Change in Accounts Payable and Other Short-term Borrowings	515,543	(108,543)
Change in Inventory for Resale	(504)	86
Change in Inventory of Supplies	(5,204)	866
Change in Prepaid Expenses	(9,013)	(548)
Change in Deferred Revenue	(90,999)	113,463
Change in Accrued Interest	(11,949)	(4,177)
Change in Pension, Retirement and Other Obligations	184,324	132,052
Total Net Change in Other Items	266,709	141,938

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12. Contingencies and Contractual Obligations

a) Contingent Liabilities

i) Environmental Sites

Various provincially owned sites throughout the province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of damage to develop remediation plans. Provisions for these costs are recorded in these financial statements when it is determined a liability exists and a reasonable estimate of the remediation costs can be made. With the exception of remediation costs noted in the following paragraphs, no further provisions have been recognized in these financial statements.

Engineering and environmental studies have generated estimates for the cost of remediation of the Sydney Steel Corporation (Sysco) and adjacent sites as well as the Sydney Tar Ponds site. As a result, the province recorded liabilities totaling $318.5 million in 2000 for environmental site clean up. At March 31, 2008, $257.6 million (2007 - $276.3 million) remains unspent. The provision will continue to be utilized for future decommissioning, demolition and remediation of Sysco's and adjacent sites, including the Sydney Tar Ponds site. Based on currently available information, the provision, in aggregate, appears to be sufficient to cover the estimated costs to remediate these sites.

Other remediation liabilities amounting to $12.5 million (2007 – $12.5 million) have been recognized in these financial statements.

ii) Lawsuits

The province's losses for any lawsuits pending cannot be determined due to uncertainty of the trial outcomes.

iii) Other Contingent Liabilities

The province also has contingent liabilities in the form of indemnities. The province's potential liability, if any, cannot be determined at this time.

b) Contingent Gains

The Province of Nova Scotia may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded in the year the contingent events occur.

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c) Contractual Obligations

i) Contractual Obligations

As at March 31, 2008, the province had contractual obligations as follows:

($ thousands)

Fiscal Year	Governmental Units	Government Business Enterprises	Total Contractual Obligations
2009	612,068	4,500	616,568
2010	452,025	2,803	454,828
2011	468,277	2,128	470,405
2012	99,681	2,028	101,709
2013	82,433	1,703	84,136
2014-2018	228,546	—	228,546
2019-2023	86,355	—	86,355
2024-2028	5,788	—	5,788
	2,035,173	13,162	2,048,335

These contractual obligations are comprised of $1,793.0 million for the Consolidated Fund, $242.2 million for other Government Units and $13.2 million for Government Business Enterprises. Included are contractual obligations of $131.9 million by Nova Scotia Business Incorporated for projects approved under its various programs, $883.8 million by the Department of Education for university assistance, $344.8 million by the Department of Education for P3 School maintenance agreements, and $84.0 million by the Department of Health for the management of the ground ambulance fleet.

In addition to the contractual obligations noted above, in 1992 the Department of Justice entered into a 20-year contract with the RCMP for policing services, including services paid by the municipalities under the Service Exchange Agreement. Costs are negotiated each year based on required policing services. The net estimated expense for the province for 2009 is $29.1 million.

ii) Leases

As at March 31, 2008, the province was contractually obligated under various operating leases. Future minimum annual lease payments are as follows:

($ thousands)

Fiscal Year	Governmental Units	Government Business Enterprises	Total Lease Payments
2009	47,362	7,634	54,996
2010	38,868	6,878	45,746
2011	30,404	6,210	36,614
2012	23,336	6,035	29,371
2013	14,964	6,035	20,999
2014-2018	22,827	—	22,827
2019-2023	6,222	—	6,222
2024-2028	506	—	506
2029 & thereafter	321	—	321
	184,810	32,792	217,602

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13. Subsequent Events

Under the 1986 Canada-Nova Scotia Offshore Petroleum Resources Accord (1986 Accord), the province acquired the right to share a portion of the federal Crown Share revenues for projects in the Nova Scotia offshore. An Agreement was signed on July 13, 2008 between the Government of Canada and the province, whereby Nova Scotia's portion of the Crown Share was estimated to be $867.9 million for years ending 2023. Revenue of $234.4 million has been earned up to March 31, 2008 and is recognized as revenue in the 2007-08 fiscal year.

14. Comparative Figures

Certain of the prior year's numbers have been restated to conform to the presentation format adopted in the current year.

15. Related Party Transactions

Included in these consolidated financial statements are immaterial transactions with various provincial crown corporations, agencies, boards and commissions. Significant related party transactions have been offset and eliminated for purposes of consolidated reporting. Parties are deemed to be related to the Consolidated Fund due to common control or ownership by the Province of Nova Scotia.

The most significant unadjusted related party transactions are described in Schedule 6 – Government Business Enterprises.

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